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TENURIAL RELATIONS AND
LAND REFORMS IN INDIAN AGRICULTURE:
A SELECTIVE REVIEW

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**TENURIAL RELATIONS AND LAND REFORMS
IN INDIAN AGRICULTURE :
A SELECTIVE REVIEW**

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"To acknowledge is to deny".

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CHAPTER I

BACKDROP FOR LAND REFORMS

In India, after independence, the ideology of land reforms found a favourable place. This was due to the fact that the new rulers had mobilised the peasantry in their anti-colonial struggle promising a better social order. Hence, they had to make a fresh appeal to the peasant masses. Secondly, land reforms had to be a vital component of a wider socio-economic programme of national reconstruction in a country like India after the agricultural retrogression under British rule (Thorner : 1962). Thirdly, the development of a national industry could not advance without a rapid expansion of the domestic market particularly on the basis of increased purchasing power of the peasantry. Further, political stability in the country demanded that the class conflicts and social tensions that had characterised rural society for decades preceding the attainment of freedom, should be minimised by ensuring some measures of protection to the weaker sections of the rural population. Consequently, land reforms came to acquire an important place in the ideology of national reconstruction (NCA : 1976, P. C. Joshi : 1987).

The existing literature on land reforms in India gives an impression that a lot was expected from the land

reforms to achieve the targeted task of high agricultural productivity through the creation of peasant proprietorship and distributive justice by creating equality among the cultivating classes in rural India. On the contrary, inequality has increased in rural India.

Discussions of land reforms usually begin and often end with proposals under which individual property rights in land and associated rents are transferred from the relatively affluent to the poor. Land reform is essentially a political matter, involving substantial conflicts of interest. The ownership of land reflects and underpins social power and structure in agrarian economies so that changes in pattern of ownership necessarily involve changes in the society itself.

The most important land reforms in the 20th century occurred in rather special and often trying circumstances. In the Soviet Union and China, foreign invasions preceded and paved the way for social revolution and the destruction of the old agrarian order. Defeat in war or occupation also led to land reforms in some notable capitalist countries like Japan, Republic of Korea and Taiwan. Elsewhere, nationalist movements began their successful struggles to throw off colonial rule in parts of Asia and Africa after the World War II. These successes created opportunities to remake the

agrarian order, particularly in countries in which there were significant European settlements - Kenya, Zimbabwe - or foreign plantations - Indonesia, Malaysia and Sri Lanka - or in which some domestic landed classes were allied with colonial rulers like in India (Clive Bell : 1990).

Soon after the declaration of independence, the endeavour of the Indian Government was to reinforce land reforms measures to improve the lot of the common peasants. "Land reforms for the emancipation of the peasantry from feudal burdens became a necessary part of the process of national planning for economic development." (P. C. Joshi : 1987, page 96).

Sharp differences in approach existed on the issue of land reforms among the Indian scholars. In the course of agrarian debate in the 50's, there emerged three major schools of thought on the question of agrarian structural change (P. C. Joshi : 1987).

The "first school" regarded the discrepancy between the ownership and operation of land as one of the major drawbacks of agrarian structure. Acting as a built-in-depressor in agriculture, such discrepancy contributed not only to an inefficient utilisation of given resources but consequently, there was no hope of substantial improvement in agriculture, unless this discrepancy was

removed by direct public intervention in the form of land reforms. Land to the tiller of the soil was recommended by this school as the basic principle of growth oriented policy. The other recommendations of this school were the imposition of ceiling on the land and gradual transition from individual owner cultivation to cooperative farming. The main contributors to this school were D. Thorner (1956), Baljit Singh (1960), Bhawani Sen (1962), Raj Krishna (1961) and Charan Singh (1964) agreed on other processes, but differed on the issue of cooperative farming. They ruled out cooperative farming as both unrealistic and harmful and insisted on individual ownership and cultivation of land within a framework of cooperation covering supply of inputs, credit, agricultural marketing etc.

The 'second school' of thought did not consider a comprehensive reform of the first type necessary nor desirable. According to this school, after the abolition of intermediaries, only certain sections and not all the sections of rural society (not the entire agrarian structure but only part of it) were in need of reforms. Land policy recommended by this school, therefore, involved sectional or sectoral rather than comprehensive reform of the agrarian structure without creating small fragments. Important contributors to this school of thought included D. R. Gadgil (1965), M. L. Dantwala (1960),

A. M. Khusro (1961) and V. M. Dandekar (1962). This school of thought identified viability and efficiency with large size holdings and they disapproved the land policy which aimed at creating more medium and small size peasant holdings.

The "third school" of thought was articulated mostly in the sphere of politics and had only a few exponents in the field. A conservative point of view is characterised by an opposition to direct policy intervention either in terms of reducing rent, regulating tenancy, imposing ceiling in land holdings or introducing cooperatives. This approach advocates policy intervention only to the extent of removal of some of the most pronounced evils of feudalism. But it is based on vigorous disapproval of any measures to impose curbs on emerging capitalism. The conception also sometimes presents indirect measures like agricultural taxation etc. as substitutes of land reforms. The advocates of these policies were Federation of Indian Chamber of Commerce and Industry and Sardarilal Singh, who was one of the members on the panel of land reforms of the Planning Commission in 1951.

It can be seen that the dominant schools of thought in India were concerned with the question of viable and efficient units of cultivation. In some cases viability and efficiency were wrongly identified. In fact, the assumption underlying the later thinkings (the

second and third group) was that the small farm constituted a drag on a developing economy and that its elimination was necessary as well as desirable.

In recent years, numerous studies by economists and other social scientists have drawn attention to the unfinished task of agrarian reconstruction in India. Doreen Warriner, the most distinguished analyst of land reforms in recent years, had summed up the dilemmas of the Indian situation in the following perceptive formulation more than three decades back.

"Within the existing agrarian structure, without reform, an increase in production is obviously possible; because there is this great asset of the industry of cultivating castes. With present methods of distribution of new supplies, however, it is the large owners in the richest regions who will reap the benefit of increased inputs, though it is the smaller owners who are the better farmers."

"... Present policy will thus increase inequality. From an economic standpoint, this is wrong, since there is too much dead wood in the structure and production would increase if land were transferred from the passive rent receivers to the smaller farmers. From the same standpoint, reform is also important because a stronger base for cooperative organisation could provide a more efficient and equitable distribution of the new supplies.

... The real argument for reform is still, as it was in the past, the poverty of the poor. Redistribution of land, higher taxation of the large owner, joint farming cooperatives for Harijans, could help to relieve it and could be compatible with higher efficiency in production, given the necessary effort of organisations. Rising

yield will help to increase peasant incomes in the village where ownership is already fairly equal, not in those where a large proportion are landless.

"At present, reform does not lie within the bounds of political possibility."
(D.Warriner: 1968: 217).

Dorren Warriner's observations quoted above have been confirmed by studies analysing the trends prevailing during the 70s. We will summarise here the major findings (related to India) of the Agriculture Survey 1977, whose report "Rural Asia, Challenge and Opportunity" was prepared by a team of distinguished social scientists on behalf of the Asian Development Bank.

a) Rural poverty is closely related to the distribution of productive resources, principally land. A major factor governing access to productive resources in the agricultural sector is the distribution of land holdings. The distribution of operational holdings remains highly skewed in most developing member countries.

In India, 4 per cent of the farmers cultivated 31 per cent of the land area in 1970. At the lower end, 51 per cent of farm operating units cultivate only 8 per cent of the land.

b) High rate of tenancy occur with in specific regions of a country.

c) Control of land and access to other productive resources appear to be closely related. The large

wealthier landowners tend to receive a disproportionate share of technical assistance and advice provided by government agencies, as well as favoured accessibility to institutional credit.

d) During the 1960s, land reform programmes in India were not adequately implemented, this partially explains why the distribution of holdings has not changed much since the early 1960s. In the 16 Indian states which implemented land ceiling legislation between 1958 and 1971, only 0.99 million hectares had been declared surplus by 1971, representing only 0.7 per cent of the net cropped area. Less than 0.49 million hectares had been redistributed to poor farm householders and landless workers.

It is clear from the above discussion that while much was desired from the land reform policy, in reality, we have achieved little success and land reform is still an important issue for a country like India. A number of issues have cropped up in the sphere of land reforms. Questions have been raised concerning the relative efficiency of owner operated, rented and capitalist farms, as well as the comparative performance of different tenurial systems. The other issue which has got attention from the economists as well as from the social scientists in the recent times concerns the interlocking of markets and tenancy. In the present study, we attempt

a review of the literature on these issues and the main focus will be on the current literature. The study consists of six chapters. The first chapter deals with the literature analysing the question about the need for land reform. Land reform policy and its effectiveness as seen through the recent writing is examined in second chapter. In the next two chapters tenancy and its related issues are discussed in detail. The third chapter explores the various explanations for the existence of share cropping and the fourth chapter focuses on the issues like interlocking of markets and share cropping. The fifth chapter deals with the empirical studies relating to tenancy issues. The summary and conclusions of the issues are attempted in the final chapter.

1.1 Genesis of Agrarian Structure

At the beginning, one needs to analyse the nature of agrarian structure which evolved particularly during the British rule and which was considered to be extremely unjust and exploitative. The land relations in a country are integrally related to the basic characteristics of its national economy, social structure and political system. The agrarian structure of India can be synthesised broadly in terms of system of land ownership, as evolved historically (particularly under British rule), agrarian classes in general, distribution of land holdings and predominant features of social formation in rural India.

One of the crucial factors which influenced the agrarian structure of India is the forced colonial character of her economy. During the British regime, India's land tenures were moulded to suit the political and economic requirements of the British Empire (P. C. Joshi : 1987). Prior to British rule, Indian agrarian structure was shaped under the feudal system. Under Mughal rule, there were broadly four types of land tenure systems. First, vast area of land held by the state as khas lands. Second, Jagirs, Inams etc. were allotted to big feudal landlords in lieu of certain financial or military obligations towards the state. Third, lands allotted to revenue farmers or rent collectors, commonly called zamindars, who had to pay a fixed amount annually as land revenue to the state and fourth, lands held and cultivated by peasants who paid their land revenue directly to the government without the intervention of any intermediary. Apart from these, there were various tenures of mixed character. All these put together constituted a complex pattern of land relations, with many local variations. In all these cases, the state occupied the position of a super landlord.

Under the super landlordship of the state, the rights and obligations of each category of tenure holders were sought to be defined. The jagirdars, who were a part of the top ruling apparatus, held the jagirs on the

condition that the jagirdars fulfilled their political and administrative responsibilities to the satisfaction of the state. The jagir was not inheritable, though it was normally conferred upon sons or relations of higher man-sabdars. The dependence of the individual mansab-holders on the emperor's will was thus considerable. Despite the power and resources that the ruling class enjoyed as a whole, there were frequent transfers of officials from one province to another. The average stay of an official in one place ranged between one half to three years. Thus, a jagirdar had, therefore, no permanent rights in his assignment. Theoretically this was true but in practice however, the jagirdars' powers were much less circumscribed. This was especially so, if the assignee was a big jagirdar, enjoying faujdar or police jurisdiction as well (IRFAN HABIB : 1984).

Though originally the status of the zamindars was that of rent receivers or revenue farmers, in due course of time, they became the owners of the land allotted to them. It was from within this class that a powerful landed aristocracy developed which entrenched itself firmly in the agrarian society of that time. The peasants or the cultivators holding land, whether directly under the state or under the landlords, enjoyed certain traditional rights. They could also transfer their lands, even when the land was generally not subject to sale and purchase in those

days. Rents were fixed at the customary level and were not enhanced under normal conditions.

In Mughal literature, it is commonly found that lower rates were levied on some favoured elements like zamindars or headmen or members of some favoured community. Such a favoured category of peasants was found in almost every part of the country. The smaller peasants forming the bulk of the peasantry, were thus called upon to pay more than their due share of revenue in order to make up the total. This kind of exploitation of the small peasantry was quite prevalent during Mughal rule (NCA : 1976, IRFAN HABIB : 1984).

The British regime, thus inherited from the Mughal land revenue administration, various types of land tenures and rights in land. During the British period, the following land tenurial systems had existed in India, (i) jagirdari system (super landlords); (ii) zamindari system; (iii) ryotwari system; (iv) mahalwari system and (v) jhum system with wide regional variations. But by the middle of the 19th century, in their attempt to reorganise India's agrarian structure, the British rulers established two types of land systems in the country viz. the zamindari system and ryotwari system.¹ However, jhum cropping continued in certain hilly regions.

The zamindari land property rights were conferred

generally on non-cultivators and socially dominant persons in the region. The recognition of zamindars as proprietors of the land was basically determined by political, financial and administrative expediency. There were three guiding factors involved. The first arose out of clever statecraft - the need to create political allies. British officials realised that as they were foreigners in India, their rule would be unstable unless they acquired local support which would act as a buffer between them and the people of India. Hence, they established a wealthy and privileged class of zamindars which owed its existence to British rule and which would, therefore, be compelled by its own basic interests to support it. The expectation that the zamindars as a class would support the foreign government in oppressing the rising local movements was fully justified later. The second and perhaps predominant motive was that of financial security. Before 1793, the East India Company was troubled by fluctuations in its chief source of income, the land revenue. Newly created property of the zamindars acted as a security to this. Moreover, the permanent settlement enabled the East India Company to maximise its income as land revenue which was fixed higher than it had ever been in the past. Thirdly, the permanent settlement was expected to increase agricultural production, since the land revenue would not be increased in future even if the zamindar's income went up,

the latter would be inspired to extend cultivation and improve agricultural productivity. The Britishers were able to create a class of zamindars but failed to induce them to invest in agriculture. As a consequence, millions of cultivators with customary rights over their land were reduced to the position of mere tenants-at-will of the zamindars (N.C.A. : 1976, Bipin Chandra : 1984, P. C. Joshi : 1987).

The zamindari system as a class of revenue collectors came up whose primary interest was not in productive cultivation. With growing subinfeudation, usury, rising ground rents, following increasing population pressure and pauperised artisans, the surplus in the region was diverted from the direct producers to the traders, money lenders, and feudal landlords. (Bharadwaj K. : 1982). This meant that productive investment in agriculture did not grow; on the other hand, it resulted in the parasitical growth of unproductive consumption and proliferation of unproductive commerce. This is reflected in the larger growth of agricultural output and of yield per acre in the regions as compared to other regions. There was little incentive for the rentier lords or for the impoverished, over exploited tenants, to invest in capital assets and in productive activity.

With the lapse of time, however, the very idea of

making settlement with the landlords or zamindars, whether on a permanent or a temporary basis, began to lose ground. This was partly because such elements did not lend themselves easily to future enhancement of land revenue and partly because they brought in their wake such intense rack renting of the peasantry that normal agricultural processes were obstructed and the internal market was pauperised, causing damage to the trade in rural areas. At the same time, the establishment of British rule in south and south-western India brought new problems of land settlement. The officials believed that in these regions there were no zamindars with large estates with whom settlement of land revenue could be made and that the introduction of zamindari system would upset the existing state of affairs. Thus a more remunerative and stable land tenure system, ensuring increasing revenues to the state and some measure of stability to agricultural production was found in the ryotwari system.² (N.C.A. : 1976; Bipin Chandra : 1984).

The ryotwari system came later in the hey days of British domination when the peasantry could be approached without intervention of an intermediary. In ryotwari areas, although it is true that the revenue suction mechanism was no less severe, there were possibly some mitigating factors. First, revenue farming was less

proliferate and there was almost a direct connection between the producers and the state. Secondly, the maintenance of records was also better than in other systems. Thirdly, in some regions, legal expropriation and transfer of land from the indebted small operators to money-lenders/traders was a little more restricted. It would seem, then, that productive investment was more attractive in these areas than in the predominantly zamindari areas in the eastern region (Bharadwaj : 1982; Khusro : 1973).

The ryotwari settlement did not bring into existence a system of peasant ownership. The peasant soon discovered that the large number of zamindars had been replaced by one giant zamindar - the state. In fact, the government later openly claimed that land revenue was rent and not a tax. The ryot's rights of ownership of his land were also negated by three other factors. (1) In most areas, the land revenue fixed was exorbitant; the ryot was hardly left with bare maintenance even in the best of seasons. For instance, in Madras, the government claim was fixed as high as 45% to 55% of gross production in the earlier settlement. The situation was nearly as bad in Bombay. (2) The government retained the right to enhance land revenue at will. (3) The ryot had to pay revenue even when his produce was partially or wholly destroyed by drought or floods (Bipin Chandra : 1984; N.C.A. : 1976).

Thus, both the zamindari and ryotwari systems departed fundamentally from the traditional land systems of the country. The Britishers created a new form of private property in land in such a way that the benefits were not picked up by cultivators under the pressure. Moreover, there were hardly any innovations in the agricultural sector. All over the country land was made saleable, mortgagable, and alienable. This was done primarily to protect the government's revenue. The revenue demands were oppressive and extortionate in both the systems, while the mode of revenue realisation was stringent and unsuitable to Indian rural condition and this led to the pauperisation of the actual cultivators and alienation of their land into the hands of merchants and money-lenders. The extension of monetisation and commercialisation reinforced and accentuated these processes. Thus, during the course of the 19th and early decades of the 20th century, this became a vicious circle of deprivation of entitlement of the agriculturist of the major part of the returns to his labour. Thus, in both the areas, the pattern of land relations that developed in the wake of British rule was essentially characterised by semi-feudal landownership, the predominance of a "land owner-tenant nexus" (P. C. Joshi : 1987).

Writing about the conditions in Bengal, the Bengal Land Revenue (FLOOD) Commission observed that "this army

of rent receivers is increasing in number each year. Further, the census figures show an increase of 62% of rent receivers between 1921 and 1931. At the same time, a steady reduction is taking place in the number of actual cultivators possessing occupancy rights and there is a large increase in the number of landless labourers." (P. C. Joshi : 1987). According to the U.P. Zamindari Abolition Committee, 81% of cultivators were tenants and they cultivated 86% of the area, which reflects the dominance of tenants in the agrarian structure.

During British rule, the public investment in canal irrigation was also a major discriminating factor. The irrigation policy was dominated by political and strategic considerations. The regional distribution of public irrigation was markedly skewed. In Punjab canal colonies were set up for strategic reasons. There was a considerable investment in irrigation in these pockets. In the zamindari areas, even the privately owned minor irrigation works were neglected with detrimental consequences. As a result, it led to regional disparities in agricultural growth (Bharadwaj K. : 1982).

In sum, the land relations in both the zamindari and ryotwari areas showed a marked resemblance. This broad similarity in both the systems has been confirmed by both official and nonofficial reports on the Indian

agrarian situation before independence (P. C. Joshi : 1987). The first common feature was that the landed proprietors emerged in both the areas and constituted a non-entrepreneurial class, they held landed property without ever being the managers of large scale agricultural enterprises. Also significant for both the areas was the fact that the actual units of cultivation were in most cases the small parcels of land largely cultivated for subsistence by poor and oppressed tenants.

1.2 Evolution and Nature of Agrarian Classes

The land tenure system which evolved during the British rule established the institutions of Zamindari (and other similar institutions) and Ryotwari system. Though these two differed in their functional definitions, they operated on similar lines due to the skewed land distribution and the existing social structure. The emerging agrarian system was also reinforced by the social structure and hence got strongly rooted in the country. As a consequence of this the landed property was vested with big land owners and established a landed aristocracy. These owners of large property were not the managers and hence a large number of tenants emerged, giving rise to landlord - tenant nexus. Thus, the land tenure system gave rise to different agrarian classes. An analysis of the emergence of agrarian classes enables us to look into

the real processes of change in the agrarian relations. The agrarian structure is not an external framework within which various classes function, but a sum total of ways in which each group operates in relation to the others. Some of these relations are defined and enforced by law, others are customary.

There have been a number of attempts by economists and sociologists in India to look at the economic and social characteristics of classes in rural area. In order to identify various agrarian classes, people have used the class analysis of Lenin and Mao. First, we shall briefly discuss the class analysis given by Mao (1927) & Lenin (1920). Lenin had identified six agrarian classes, namely, (i) agricultural proletariat/wage labourer, (ii) semi-proletariat/peasant, (iii) small peasant, (iv) middle peasant, (v) big peasant and (vi) big landlords. Whereas Mao had identified five agrarian classes, namely, (i) landlord, (ii) rich peasant, (iii) middle peasant, (iv) poor peasant and (v) farm labourer. They used three criteria for class identification.

1) The extent of possession of land and other means of production.

2) The level of exploitation of hired labour and receipt of land rent and the relative labour share-owned vis-a-vis hired in order to decide on the extent of exploiting or being exploited.

3) Whether the household is unable to meet subsistence requirements and is therefore enmeshed in usurious indebtedness or whether it succeeds in obtaining a subsistence or produces a surplus available for investment.

Mao's analysis is quite similar to that of Lenin. While the basic principle on which classes are distinguished by Lenin and Mao is the same, there are some points of differences. On one hand, Lenin refers to the agricultural labourer as an agricultural proletariat and specifies that they are employed in capitalist agricultural enterprises. On the other hand, in Mao's analysis, the class of agricultural labourers is substantially the result of pauperization of the poorer peasants under colonial oppression. Further, the role of exploitation differs in the two formulations. For Lenin, the question of rent exploitation does not enter explicitly in distinguishing peasant classes. For Mao, the extraction of pre-capitalist land rent is one of the major forms of exploitation not only of the peasantry by landlord but also to some extent as practised by richer peasants vis-a-vis poor peasants. While, Mao considers primarily self-employed farmers as a single category of middle peasant, Lenin broke them up into two classes, the middle peasant and the small peasant. The dividing line between them lies in the fact that the middle peasant employs some small degree of hired labour,

while the small peasant does not employ hired labour (Utsa Patnaik : 1987).

There are various studies, using different criteria to identify agrarian classes in the Indian context. The agrarian classes identification was initially provided by Thorner (1956) and later on also taken up by Bettelhiem (1968). According to Thorner, despite regional variations, it is possible to extract a common pattern in rural India. All over the country, there are three major economic groups, namely, proprietor/(Malik), working peasant (Kisan), and labourer(Majdur). Thorner uses three criteria to identify these economic groups viz. (i) the form in which the income is obtained from the soil, (ii) the nature of rights and (iii) the mode of work in the field. The criteria used by Lenin, Mao and Thorner have some resemblances. Main emphasis is placed on the extent of possession of land, nature of rights and the level of exploitation. But Thorner is silent on the question of exploitation.

Certain changes have occurred in the agrarian structure after independence. One major change which has taken place is the transformation of malik into capitalist farmer, who no longer lives on rent but manages the process of production by hiring paid labour and by improving his means of production (Bettelhiem : 1968, 23). Bettelhiem further refers to the changes which have taken place in the social relations of production. The agrarian society

is moving towards capitalism but still retains the features of declining feudalism thus making it semi-feudal.

Mukherjee's six villages of Bengal (1971) is another study on agrarian structure. In order to identify different classes, the study emphasises the criteria which should have traditional recognition in the society. Three criteria have been used to identify the economic groups - (i) the area inhabited by them, usually the village, (ii) the caste and community to which they belong and (iii) household occupation. The author has used 'household occupation' as a criterion to identify the groups; but under occupation the categories used in descriptive material such as census have been considerably modified. The census categorised the rural population dependent on agriculture into (i) landlord, (ii) peasant proprietors, (iii) bargadars (sharecropper) and labourers. In this study, however, category (ii) has been broken up into five different groups, (a) jotdar (landlord), (b) rich farmers, (c) ryot/tenant, (d) non-cultivating owner and (e) ryot-bargadar/sharecropper. It is pointed out that these categories are not commonly used by villagers themselves, they are introduced by Mukherjee because, in the context of Bengal, they correspond very obviously to distinct economic classes. The classes to which the above five categories roughly correspond are (a) landlord, (b) rich

peasants, (c) middle peasants, (d) petty employer/rentiers and (e) poor peasants (Utsa Patnaik : 1987).

"The land question" by P. Sundarayya (1976) is one of the notable attempts in India, which applies the Leninist concept of class after discussion of the characteristics of different rural classes, to the analysis of data. The class structure and some economic characteristics of two villages in Andhra Pradesh - Anantavaram and Kaza - were analysed. The study applied a method of arriving at the class composition of households, which consisted of first considering the hiring of labour to distinguish the rich peasants and landlords from the rural poor, then considering exploitation through rent. The study has identified three economic groups viz. landlord, peasants and agricultural labourer. Further the peasant category is subdivided into three groups: rich peasants, middle peasants and poor peasants. Another study on peasant class differentiation (1987) by Utsa Patnaik also deals with agrarian classes. The study contends that most existing agrarian analysis are essentially neo-populist. The study provides an alternative methodology. Three main reasons are given for it. Firstly, different groups of rural households exhibit distinctly different production - organisational features. Secondly, these groups are related to each other in terms of relations of

exploitation ownership/possession of the means of production and accrual of surplus/deficits. Thirdly, the relation between these groups of households (economic classes) throws into relief the overall dynamic processes (Utsa Patnaik : 1987).

The composite criterion called the labour exploitation criterion E, to identify different class groups is used in the study. It is defined as the ratio of net labour days hired to total days in self-employment (on the field). It is then extended to include net labour days appropriate through rent and through usury. (Utsa Patnaik : 1987).³ Different rural classes are differentiated depending on the value of E. For landlords and capitalist farmers, who do not work on their fields, the value of E tends to infinity. On the other hand, for labourers who perform work on others field and hire out their labour, E tends to a value of negative infinity. For the middle peasantry, total days in self-employment are at least as great as net labour days hired in/out so that E falls between +1 and -1, between 0 and 1 for the middle peasantry and 0 and -1 for the small peasantry. For rich peasants, E assumes a value greater than +1, whereas for poor peasants it assumes a value of less than -1. The empirical basis for the study is drawn from the 27th round of NSS carried out during 1972-73 (Sheila Bhalla:(1972-73)).

Class	Defining characteristic	Value of $E = X/F$	Reason
1. Land-lord	No manual labour in self employment, large employment of others labour	$E \rightarrow \infty$	$F = 0$) pri- $X > 0$) marily &) expl- large) oiting labour
2. Rich peasant	At least as large an employment of others labour as self-employment	$E \geq 1$	$F > 0$) of $X > 0$) others $X \geq F$)
3. Middle peasant	Smaller employment of others labour than self employment	$1 > E > 0$	$F > 0$) pri- $X > 0$) marily $X \geq F$) self- em- ploy- ed
4. Small peasant	Zero employment of others or working for others, and working for others to smaller extent than self-employment	$0 \geq E \geq -1$	$F > 0$) $X \leq 0$) $1X1 < F$)
5. Poor peasant (poor tenant & labourers with land)	Working for others to a greater extent than self-employment	$E \leq -1$	$F > 0$) pri- $X < 0$) marily $1X1 \geq F$) ex- ploit- ed by others
6. Land-less labourer	No self-employment ; working entirely for others	$E \rightarrow -\infty$	$F = 0$) $X < 0$) &) large)

Source : Utsa Patnaik : 1987 (p.60)

$$E = X/F$$

1.3 Agrarian Classes and Social Structure

The development of agrarian structure got the fertile ground of the social system which propelled the structural degression of the society and perpetuated it. The agrarian social structure as it developed under British rule presented a decadent semi-feudal order with wide ranging inequalities and multiform exploitation of the mass of cultivators. Feudal and semi-feudal property relations dominated that structure. There was a high degree of concentration of land ownership at the top not only in the zamindari areas but also in the ryotwari areas, and a very large percentage of the actual tillers had either no proprietary rights in land or had very limited rights as tenant cultivators. Thus, the agrarian social structure which developed under British tended to perpetuate a backward and medieval type of agriculture. In fact, it can be said that the agrarian society of that period was so structured as to impede the development of forces of production and in particular, the productive capacity and enterprise of the great bulk of farmers.

The ethos of caste relationship helps us to understand the link between agrarian classes and social structure. Caste system and its ideological principles are classic examples of deriving support for the unjust system from the lowest - rungs of Indian society. The concept of karma-phala that the present caste status is

due to the actions of past birth has played a major role in sustaining Indian social structure. The acceptance of karma principle by lower caste made them passive and subservient. This also reinforced the emerging agrarian structure (Omvedt : 1982).

Owing to its birth ascribed occupation, the caste system traditionally represented an economic structure i.e., the caste status also determined the position of individual in the production relations. Malik belonged to the upper twice born caste, kisan to the khas triya/ shudra group, and the mazdur to the lower caste groups. The social groups were rather a product of operational arrangement and not defined on the basis of births. But, it slowly acquired the economic/social inheritance which perpetuated the social inequality in the village side. This was reinforced by the karma theory of the dominant religion and the other religious groups also subscribed to the theory. In other words, religion became a necessary and easy tool of economic exploitation. In fact, the entire economic life in village was originally linked with caste system. The relationship between the land owning caste and other caste groups was that of jajman and kamin in which the latter used to get some share of the agricultural produce in exchange for the services he rendered to the land owner. This relationship had strong traditional footings

as a result of which it was durable and had generation depth (Omvedt : 1982).

In India, with the modification of the traditional, pre-British land relations, the new structure which emerged carried forward certain basic features of the pre-British traditional social structure. The higher castes which were traditionally dissociated from cultivation and direct management of land remained as land owners and continued to appropriate rental incomes from land. The cultivating peasant castes and the depressed and untouchable castes standing at the middle and the bottom of the social ladder constantly swelled the ranks of tenants, share croppers and farm servants. Even in those areas where the peasant castes occupied a dominant position as land owners, they generally preferred to abstain from direct cultivation and to function as pure-rent receivers or as non-cultivating landlords employing farm servants or tenant to run their farm (P.C. Joshi : 1987). Thus, the growth-inhibiting characteristics of the agrarian structure were reinforced by the traditional social system and British agrarian policy.

Summary

In sum, the analysis deals with the question of why there was a need to introduce land reforms in India. In order to understand it, we have analysed the agrarian structure of India which evolved during the British time

in terms of land ownership, the nature of agrarian classes, dominant features of social formation. The agrarian structure which emerged in the wake of British rule, was characterised by a landlord-tenant nexus. Rack-renting and extreme forms of feudal exploitation of large masses of peasantry were predominant features. There was a high degree of concentration of land ownership at the top in both zamindari and ryotwari areas. The land relationship was also characterised by corresponding caste relations. Thus the agrarian structure which was developed under Britishers tended to perpetuate a backward and medieval type of agriculture which is purported to have kept the Indian agrarian economy in a state of stagnation for decades and this system was considered to be the main hurdle in the way of national economic regeneration. The need to change this system was strongly felt immediately after independence. On this background, the next chapter deals with the formulation of land reform policy, its major objectives and effectiveness.

CHAPTER II

REFORMS AND THEIR EFFECTIVENESS

The agrarian structure which evolved during the colonial rule is marked with high rents and pauperisation of the peasantry. At the same time, during British rule, ownership rights were conferred upon the zamindars and as a result of that, they became the owners. Consequently, these were made hereditary and transferable. On the other hand, the cultivators were reduced to the low status of mere tenants and were deprived of long standing rights to the soil. As a result of this policy, there was a great concentration of land at the top rung. During the struggle for independence and also on the eve of independence, it was strongly felt that the semi-feudal landlords were the main obstacle in the way of national economic progress. At the same time, the Indian National Congress mobilised the peasantry against British rule by giving the slogan : land to the tiller. In this chapter, we will critically examine the major objectives of land reforms policy, its impact and effectiveness.

2.1 Evolution of Land Reforms Policy

In a broad sense, there are two ways in which

changes take place. First, changes may occur automatically in an evolutionary manner. Secondly, change may result from a conscious attempt on the part of some sections of the society. According to P. C. Joshi (1975), there are four currents which have been witnessed so far in the Indian land reform context. These are:

1) 'Land reform from above', through land legislation on the lines broadly indicated by the central government, enacted by the state legislatures, and finally, implemented by the state governments.

2) Land reform through militant peasant action from below, as in the case of Telengana and Naxalbari movement and also to some extent in the case of land grab movement.

3) Land reform through legislative enactments from above, combined with peasant mobilisation from below as in the case of controlled land seizure in West Bengal under the united front regime and of protection of poor peasants in Kerala under the Congress supported CPI ministry. A recent and successful experiment of this type has been made in West Bengal under the left front rule. The experiment is known as operation Barga.

4) Land reform from below through persuasion of landlords and peaceful pressure by peasants as in the case of Bhoodan and Gramdan.

All these strategies have not only influenced the formulation of land reform policy but at the same time helped to implement it effectively.

The pressing political and agrarian reasons made Government of India go through the question of land reforms immediately after independence. In December 1947, the Congress Agrarian Committee was constituted under the chairmanship of Shri J. C. Kumarrappa to look into the question of land reforms. This committee made for the first time a detailed survey of the agrarian relations prevailing in the country and made comprehensive recommendations covering almost all the major issues relating to land reforms.

The major recommendations of this committee were as follows:

- i) The abolition of intermediaries,
- ii) Tenancy reforms,
- iii) Fixing of ceiling on holdings and redistribution of surplus land,
- iv) The consolidation of land holdings,
- v) Cooperatives.

It is now recognised that the Kumarrappa Committee exercised a considerable influence on the evolution of land reform policy in subsequent years and their major recommendations became the important objectives of land

reform policy.

The land reform policy in India can be broadly grouped into five phases as discussed above. These are in a chronological order and we discuss their effectiveness in the next section.

2.1.1 Abolition of Intermediaries

The agrarian relations as handed down were heavily weighted in favour of big (often absentee) land owners who got sizeable proportions of their land cultivated by labourers working as tenants. The general compulsion underlying the abolition of intermediaries arose because the landownership was in the hands of a parasitic class without any positive role in production, and they divorced from land the landownership of the vast masses, who were the actual cultivators. The abolition of feudal and semi-feudal vested interests thus became an essential prerequisite for facilitating the growth of productive forces in the country. After independence, the new state power recognised the problems with these intermediaries. Consequently, they were not only abolished but state came in direct contact with about twenty million cultivators. Their successful attempt to resume land for personal cultivation in the beginning was soon to face the ceiling laws that were forthcoming during the late 50's and 60's (N.C.A. : 1976, ICSSR Report : 1978).

2.1.2 Tenancy Reforms

As we have seen, the land relation which emerged during British rule was essentially characterised by semi-feudal land-ownership - by the predominance of a landowner-tenant nexus. The insecurity of tenure, high rents, the fear of eviction and uncertainty which accompanied tenant cultivation became an added reason for the cultivators to live from hand to mouth, exploit the land unduly and avoid permanent improvement through investment in land. After independence, it became imperative on the part of the government to bring about tenancy reforms. Thus, during the first phase of land reforms, which was concerned mainly with the abolition of intermediaries, the scope of protection was also extended to the tenants of ex-intermediaries.

Various tenancy legislations have covered the following aspects:

- i) Termination of tenancy,
- ii) Security of tenure,
- iii) Resumption for personal cultivation,
- iv) Surrenders, and
- v) Regulation of rent.

Security of tenure to tenants has been given in all states which has recognised the tenancy. While the national policy stipulates fixation of rents payable by tenants at the rate of $1/5$ to $1/4$ of the gross produce, the rent

payable is higher than this in A.P., Haryana, Bihar, Tamil Nadu and Punjab. It may be actually so in some other states also. In J & K tenancy stands abolished for all practical purposes. In Meghalaya and Nagaland no such laws are present due to the absence of tenancy (P.T.George : 1982).

2.1.3 Fixing of Ceiling on Holdings and Redistribution of Surplus Land

The idea of land redistribution through fixation of land ceiling, as an essential component of land reforms, has gained wide acceptance in our country. Such a measure was urgently needed in view of the acute pressure on land and meagre prospect of population transfer from agriculture to non-agriculture along with the need for stepping up agricultural output along with increasing employment. The imposition of ceiling on agricultural holding is basically a redistributive measure; the idea is to ration land (a crucial asset) in such a way that, above a certain maximum, the surplus land is taken away from the present holders and distributed to the landless or to small holders in accordance with certain priorities. The almost compelling case of land ceiling arises from the absolute and permanent shortage of land (Khusro : 1973).

Land ceiling laws were first enacted in 50's and 60's. These were revised after the national guidelines

were issued in 1972. There are no land ceiling laws in Meghalaya, Goa, Daman and Diu, Mizoram, Nagaland, Andaman and Nicobar Islands, Arunachal Pradesh and Sikkim (P.T. George : 1982).

Further, since ceiling law was a state subject, each state enacted its own law. This was essential because of two things : (i) Each state had its typical land distribution. (ii) More often the polity was in league with the landed side. The ceiling limit imposed on holdings during first phase is given in Table 2.1.

Table 2.1 : Ceiling Limit in Different States under Old Ceiling Act

State	Ceiling limit in hectares	State	Ceiling limit in hectares
Andhra Pradesh	10.93 - 131.12	Kerala	6.07 - 15.18
Assam	20.23	Orissa	8.09 - 32.37
Bihar	9.71 - 29.14	Maharashtra	7.2 - 50.4
Gujarat	4.05 - 53.14	Punjab	12.14 - 24.28
Haryana	12.11 - 24.28	Rajasthan	8.9 - 135.97
Himachal Pradesh	12.14	Tamil Nadu	12.14 - 48.56
J & K	9.21	Uttar Pradesh	16.19 - 32.37
Karnataka	10.93 - 87.41	West Bengal	10.12

Source : National Commission on Agriculture : 1976.

It can be seen from the table that the ceiling limits were quite high. Moreover, ceiling law was applicable to an individual holder as a unit and not on a family basis. Even if the ceiling laws were implemented very effectively, there was very little chance to generate surplus land for equitable distribution. Because of this reason, ceiling laws were revised in 1971.

The major loopholes that existed in the ceiling legislation of 50's and 60's are pointed out by N.C.A. (1976). viz:

i) The ceiling limits were generally fixed so high (as can be seen from Table 2.1) that the concentration of lands in the hands of big landowners and rich peasants remained intact.

ii) The Ceiling Act provided enough scope for manipulation and fictitious transfers to circumvent the provisions of ceiling laws.

iii) Exemption from ceilings made the ceiling legislation largely ineffective. The number of exemptions given provided the scope for evasion on a big scale through the device of changing the classification of land and dissipating the surplus. It has been pointed out that Kerala had some 17 exemptions; Madhya Pradesh 14, Maharashtra 11, Punjab 13; Uttar Pradesh 20 and so on.

Most of the states followed a common pattern of legislation. Yet there were some variations in the new ceiling act:

i) The ceiling limits for lands with assured irrigation capable of yielding at least two crops annually varies from 4.05 to 7.28 hectares as between different states.

ii) The date of retrospective effect is not the same in all the states. While most of the states accepted January 24, 1971, as the retrospective date recommended in the national guidelines, Bihar fixed it as October 22, 1956, Kerala July 1, 1964, Maharashtra, Orissa and Rajasthan as September 26, 1971, J & K as September 1, 1971, and West Bengal as August 8, 1969. Since most of the land transfers had taken place before 1970 under the old ceiling act, which had many loopholes, even the new ceiling act, which was implemented with retrospective from January 24, 1971 and supposed to cover the drawbacks, did not make a great impact on the ownership pattern of land holdings.

The impact of the ceiling laws in terms of surplus land released was virtually negligible. Since the inception of the land ceiling programme, a total of 2.97 million hectares have been declared surplus under the pre-revised and revised ceiling laws. Of this, 2.36 million hectares have been taken possession and 1.82 million hectares have

been distributed to 3.37 million persons. Out of 1.15 million hectares declared surplus but not distributed, 0.66 million hectares is involved in litigation and 0.35 million are reported to be unfit for cultivation or reserved for afforestation or other public purposes (D. Bandopadaya : 1986).

According to certain estimates made on the basis of the data from NSS and Agricultural Census and certain assumptions on average ceiling limit for each state, the estimates of surpluses are given in Table 2.2.

Table 2.2 : Estimation of Surplus Land from Different Sources

Source of data	Year	Surplus area estimated (million hectares)
NSS 16 round	1960-61	8.87
NSS 20 round	1971-72	4.80
Agricultural Census	1970-71	12.10
Agricultural Census	1976-77	8.88
By state government		2.35
Actually declared surplus		2.94

Source : D. Bandopadaya : 1986.

The declared surplus land is far less than the surplus estimated from agricultural census and other data. The declared surplus is less than 2% of the cultivated area. The declared surplus land is also under direct possession due to various litigations.

2.1.4 Consolidation of Land Holdings

The basic idea behind the consolidation of holding is that the fragmentation of land holding leads to lower agricultural productivity. Most operating holdings in India are small, and the difficulty of working them is generally accentuated by their fragmentation. For the country's agricultural economy, whether owner or tenant operated, fragmentation is an unmitigated evil for which no advantage can be claimed. Fragmentation also leads to uneconomic management of farms due to the distances involved. The fragmentation of holding is generally caused by subdivision of land. With each succeeding generation fragmentation takes place. If the quality of land varies in a village, the scope of fragmentation is very high.

Table 2.3 throws some light on the fragmentation of holdings in India. It is obvious that having the entire holding in a few plots would be of great help to medium and large farmers to adopt capitalist farming. States with less number of parcels per holding have a

Table 2.3 : Average Area of Operational Holdings (ha) by State 1971-72 and 1981-82, Degree of Fragmentation and Growth Rates of Food Production 1975-76 to 1980-81

	Average size of holding 1971-72 Rural (ha)	Average size of holding 1981-82 Rural	Average no. of parcels 1981-82	Average area per parcel	Growth rate per annum (%)
Kerala	0.38	0.43	1.61	0.26	-
Punjab	4.05	1.81	2.38	0.76	7.6
Tamil Nadu	1.32	0.88	2.52	0.35	2.5
Assam	0.87	1.05	2.65	0.40	-
Gujarat	3.67	2.59	2.94	0.88	3.8
Maharashtra	3.84	2.97	3.04	0.98	2.8
Karnataka	3.19	2.47	3.07	0.80	2.5
Haryana	3.87	2.50	3.43	0.73	4.4
Andhra Pradesh	2.30	2.00	3.53	0.57	3.9
Madhya Pradesh	3.47	2.70	3.92	0.69	-0.8
All India	2.20	1.67	4.04	0.41	1.9
Uttar Pradesh	1.55	1.28	4.17	0.31	2.4
Jammu & Kashmir	0.93	1.06	4.65	0.23	-
Rajasthan	4.17	3.75	4.71	0.78	-2.4
Orissa	1.38	1.45	5.02	0.29	2.4
Himachal Pradesh	1.25	1.39	5.19	0.27	-
Bihar	1.25	1.00	6.27	0.16	-0.8

Source : NSS 26th Round, No.215 and 37, Round No. 331.
Last column, V.M.Rao & R. S. Deshpande (1986), p.96.

decisive advantage and consolidation of holdings can be associated with higher agricultural growth. Table 2.3 shows an inverse relationship between average number of parcels and growth rates (with the exception of Madhya Pradesh) whereas in Bihar, which has maximum average number of parcels per holding, shows negative growth rate.

Further, table shows that over a period of time, the average size of the holding is shrinking and this process is accompanied by a high degree of paracelisation in a number of states. In most of the states, the average parcel is less than one third of a hectare. This decrease in the average size of holding may be due to the natural growth of population and consequent fragmentation of holdings. It may also be due to the land distribution policies of the state governments.

The above analysis indicates that India's land holding structure is marked by high degree of fragmentation and thus consolidation of holding has good scope but very little work has been done in this aspect. At present, the consolidation of holdings has been completed or is nearing completion in Punjab, Haryana and Uttar Pradesh. In other states not much progress has taken place. By the end of the Sixth Five Year Plan, 526.60 lakh hectares of land have been consolidated (GOI : 1986).

2.1.5 Cooperatives

Land reforms have two components, namely, collective and distributive land reforms. While collective land reforms lead to the operation of land by state or a group of individuals, distributive land reforms lead to the diversification of land operation among individuals (Michael Lipton : 1974). Under collective land reforms, land could be in the hands of a group of individuals who agree to pool it for purposes of collective cultivation. From mid 1930's to mid 1960's emphasis was on collective land reforms and from mid 1960's the emphasis shifted to distributive land reforms.

The basic idea behind cooperative farming is that small scale farming in India is inefficient, whereas large scale voluntary cooperative farming would be efficient. It would also provide fuller employment for landless; give substance to the idea of social justice; make better use of available and borrowed resources and create a better technological base, provide a food surplus normally not available from small scale. Also, it is a higher socialist form of social and economic activity.

As a result of rapid growth of population in India, which led to excessive dependence on land, the size of average agricultural holding tended to shrink to an extent which caused alarm on both technical and economic counts.

There was a time when economists and politicians in India, uniformly carried an impression that backwardness of Indian agriculture was due to the large scale emergence of inefficient tiny land holdings, where modernisation of agriculture in the form of mechanisation was impossible. A case for reforms leading to big land holding was established in the belief that "big" is efficient. The reforms were envisaged in the form of cooperative farms. The advocates of cooperative farming Daniel Thorner (1956), Baljit (1960) and politicians like Bhowani Sen (1962), favoured gradual transition from individual to cooperative farming. But then economists like Raj Krishna (1961) and social workers like Charan Singh (1964) have termed it as unrealistic and harmful. They favoured individual ownership and cultivation of land within a framework of cooperation covering supply of inputs, credit, agricultural marketing etc. Raj Krishna believed that an agrarian structure consisting of extremely small owner cultivated family farms can be viable, reasonably efficient and capable of sustaining industrial growth, provided that widespread owner cultivatorship is effectively established and protected by law.

Number of committees were appointed between 1935 and 1955 to examine the manner in which agricultural holdings could be reorganised. All these committees recommended cooperative farming as one of the important methods for reorganising agriculture. The working group

on cooperative farming under the chairmanship of S. Nijalingappa recommended to the government pilot projects in different parts of the country to expand the cooperative farming movement. Accordingly, many state governments organised pilot projects in each district from 1961 onwards. In 1963, Government of India appointed a committee of direction on cooperative farming under the chairmanship of D. R. Gadgil for evaluation and assessment of the progress of these pilot projects. The committee felt that the cooperative movement was relatively more successful in places where conditions like good leadership, adequate supply of cooperative credit, and economics of scale were operating (Rajapurohit : 1964).

The experience with cooperative farming in India is not very encouraging. Firstly, cooperative farming was supposed to be an extension of family farms. The individual family farming depends on household labour. Cooperative farms were expected to depend on the supply of labour by its members who were paid for it. It was further found that in the case of the individual farming there was an identity between the farm business and the household. Once cooperative farming societies are formed this personal interest disappeared. Secondly, in the 1960's serious attempts were made to develop new agricultural technology. The result of these attempts proved that the modern seed-water-fertilizer technology was neutral to scale, that is,

given free accessibility to required quantum of inputs, output per unit of land was same on both large and small size farms. This was because of the fact that seeds and fertilizers were the two important inputs and these are virtually considered infinitesimally divisible (Parmeshwara and Hanumantha : 1984).

Ladejinsky (1977) and Thorner (1980) have provided information regarding the real functioning of the cooperatives. The big landlord used these cooperatives to avoid ceiling by giving the names of the tenants, family members and servants as members of the cooperatives and designating themselves as managers, in order to avoid ceilings laws.

All these factors together have contributed to a decline in the importance attached to cooperative farming. The central land reforms committee and the chief ministers conference on ceiling on agricultural holdings held in 1972 did not make any recommendation on cooperative farming. This shows that cooperative farming as a major objective of land reform has lost importance and land reforms policy is more inclined towards its distributive component.

2.1.6 Land Reforms and Size Productivity Debate

The farm size and productivity debate began with a view to analyse the small farm efficiency. Since this

could provide a scientific argument in favour of land reforms by showing that in Indian agriculture, small farms are relatively more efficient. In other words, if the farm efficiency is inversely related to size, it provides a perfect rationale for bringing down the size of holding. It contradicted the usually accepted theory that big enterprises are more efficient as they are able to reap the economies of large scale production and therefore has to be expanded. Hence, land reforms would lead to higher efficiency in Indian farming.

This question was debated on the basis of data collected under the Economics of Farm Management schemes during mid-fifties. The observation revealed can be summarised as below : As the size of farm increases, (i) output per acre declines, (ii) farm business income per acre declines and (iii) profit per acre increases. Two views emerged on the existence of inverse relationship between farm size and output per acre in the late 60's and early 70's in India. On one hand, economists like A. K. Sen (1966), A. M. Khusro (1973), C. H. H. Rao (1975), Krishna Bharadwaj (1974) and most others accepted the existence of inverse relationship between farm size and output per acre. On the other hand, economists like Usha Rani (1971), A. Rudra (1973), Abhijit Sen (1981) and Reddy (1987) doubted the universality of such relationship

and argued that regional specificities exist in Indian context. Their explanations, however, differed widely. They explain these differentials in terms of the resource market imperfections, institutional regimes, soil quality and technology. These are also incidentally the factors explaining differential impact of land reforms.

The differential relations across regions are also explained in terms of irrigation and crop intensity. Most of the studies are mainly concerned with the quality of land in terms of soil, irrigation etc. Though there are number of studies on the relationship between farm size and irrigation, on one hand, and crop intensity on the other, there are only a few studies dealing directly with the quality of soil. Bhalla and Roy (1985) observed that the inclusion of exogeneous soil quality variables has weakened the inverse relationship in the sense that it was found to be holding good only in 30 per cent of the districts in India. However, Abhijit Sen (1981, p. 204) countered the importance of soil quality in explaining the inverse relationship. (1) Any relationship between farm size and soil fertility should have been captured by the production function analysis which is not true in India. (2) The arguments based on the inherent quality of land though important, are not adequate to explain the inverse relationship. Therefore, soil quality in terms

of its texture, colour and depth appears to have considerable, though not sufficient, influence.

A few other studies also observed that small farmers use more of irrigation, go for higher crop intensity, higher proportion of cash as well as labour intensive crops (Bharadwaj : 1974; Mehra : 1976), in pre-green revolution era. Even during the post-green revolution period, the use of new inputs are higher on small farms (Bhalla : 1978; Carter : 1984; Reddy : 1990). In fact Bhalla (1978) concludes that green revolution has not qualitatively affected the inverse relationship. But studies by C. H. H. Rao (1975) and Rudra (1973) showed that the negative correlation between farm size and output per acre is smaller for the post green revolution period.

Thus the above discussion explains the size productivity relationship to a large extent. It is obvious that no universal explanation apply to these. But then it would not be wrong, if we hypothesise that the differential impact of land reforms also draws its explanations to some extent through these factors.

2.2 Impact and Effectiveness of Land Reforms

The land reform policy is supposed to achieve high agricultural productivity through the creation of peasant proprietorship and the distributive justice by creating

equality among the cultivating classes in rural India and at the same time, giving security of tenure to the tenant and regulating the rent. In this section, we will discuss the real impact of land reform policy and how far it is effective.

There did occur relatively a small shift of land in favour of the small (.01-2.49 acres) and middle class owners (2.5-9.99 acres). Table 2.4 shows that between

Table 2.4 : Proportion of Land Owning Households and Area Operated

Size of household operational holdings (acres)	1953-54		1960-61		1970-71	
	House-holds	Area operated	House-holds	Area operated	House-holds	Area operated
Small 0.01-2.49	39.10	5.43	42.00	7.07	45.20	9.25
Medium 2.5-9.99	40.50	28.63	41.00	33.77	40.40	37.52
Large 10.0 & above	20.20	65.94	16.90	59.15	14.20	53.23
NSS Round	8th round		17th round		26th round	

Note : These are comparable.

Source : NSS 8th, 17th and 26th round.

1953-54 to 1970-71, the share of small owners in the operated area increased from 5.43% to 9.25% and that of the medium owners increased from 29% to 38%. Correspondingly, the share of the larger owner declined from 66% to 53%. The small owners as a proportion of total land increased from 39% to 45%, an increase of six percentage points. Since the increase in the area was of the order of 4 percentage points only, their per capita land ownership declined from the level of the early 50's. On the other hand, the middle owners during this period continued to be about 40% of the land owning households but as their share increased by 9% points, they gained in per capita terms. The proportion of large owners declined from about 20% to 14% but as the decline in their area was of the order of 13% points, they were the losers in per capita terms.

Though Tables 2.4 and 2.5 are not strictly comparable across tables but Table 2.5 also shows the same trend as explained above. Small size class has gained both in terms of numbers and areas but in per capita terms, they are the losers. The medium category has gained in per capita terms but the large category shows an opposite trend.

Table 2.6 shows that though the inequality in the distribution of ownership holding has decreased

Table 2.5 : Percentage Distribution of Number of Operational Holdings and Distribution of Operated Area of Holding by Major Class Size as Per 1970-71, 1976-77 and 1980-81

Size class (acres)	1970-71		1976-77		1980-81	
	No.	Area	No.	Area	No.	Area
Small 0.01-2.49	50.9	9.0	54.6	10.7	56.6	12.1
Medium 2.5-9.99	33.9	30.4	32.3	32.7	32.0	35.4
Large 10.0 & above	15.2	60.6	13.1	57.6	11.4	52.5

Source : Agricultural Census 1976-77, 1980-81.

Table 2.6 : Concentration Ratio of Household Ownership Holding and Operational Holding for 1953-54, 1960-61, 1970-71, 1981-82

Year	Concentration ratio	
	Ownership holding	Operational holding
1953-54	0.75	0.62
1960-61	0.73	0.58
1970-71	0.71	0.59
1981-82	0.71	0.63

Source : NSS 37th round, No. 331.

progressively over the years, nevertheless the change has not been appreciable.

It can also be seen that the inequality in the distribution of ownership holding has decreased in the years 1960-61 and 1970-71 and stayed at same level in 1981-82. But the concentration ratios in operational holdings do not show any smooth transition. It had declined initially to increase and came to the 1953-54 level by 1981-82. This implies that the percentage of operational holdings has decreased in the higher size classes but the percentage of area operated in those classes has not decreased by the same ratio. Moreover, the percentage of holding in the lowest size class was quite high compared to earlier years but the percentage of area was comparatively smaller. The other possible explanation can be that medium and big farmers are leasing in land from marginal and small farmers and this has resulted in the higher concentration ratio in 1980-81 for operational holding. These developments resulted in the higher concentration ratio in 1980-81.

The shift in land towards the small and medium owners seems to have occurred mainly under the economic and demographic pressures through such mechanism as sale-purchase, sub-division under inheritance laws (Sheela Bhalla : 1976) and fictitious transfers to evade ceilings laws (ICSSR Report : 1978). As it is clear from Table 2.5, there is a phenomenal increase in the number of

marginal operational holdings from 50.9% in 1970-71 to 56.6% in 1980-81. Of course, distribution of surplus land to 3.24 million beneficiaries has to be accounted for but according to Bandopadaya (1986), this is more due to immiserisation rather than normal devolution. Thus, marginalisation of poor peasantry is going on at a fairly fast rate, there has not been any serious dent on the effective concentration of land in a few hands, in spite of the revised land ceiling laws of early 70's.

In the first phase of land reforms, the major aim was to abolish zamindari and ryotwari system or to eliminate a functionless and parasitic class of landlords. But numerous evaluation studies of land reforms in different states have drawn attention to the tremendous ingenuity and skill shown by land owners not only in saving their property rights from the legislative measures but also in further extending their control over land. National Commission on Agriculture (1976) report found some drawbacks in the legislation for the abolition of the intermediaries which was enacted in the states like U.P., West Bengal, Orissa and Bihar. Firstly, in the name of self-cultivated holdings, large areas of land were transferred to intermediaries and exempted from the law everywhere except in West Bengal where a ceiling on holdings was simultaneously introduced. Secondly, it gave very high rates of compensation to the intermediaries. The amount of

compensation estimated was Rs. 670 crores. The total payment made to ex-intermediaries came to Rs. 360 crores against the estimates and the payment is still in progress.

The first round of post independence land reforms brought about a break down of early tenancy arrangements, to the disadvantage of weaker tenant who constituted a very large section of the tenancy. This provision of protection to the tenants set into motion a contradictory social process of mass eviction of tenants, sub-tenants and sharecroppers through various legal and extra legal devices instead of conferring ownership rights. The highly defective land records, the prevalence of oral lease, absence of rent receipts, non-recognition of sharecroppers as tenants and various punitive provisions of the tenancy laws were effectively utilised by the landlords to secure the eviction of all types of tenants. Innumerable evictions were effected in the process of a resumption of land by the owners, where law failed, evictions were effected through coercion, intimidation and even violence and thus the 'voluntary' surrenders were secured even from the tenants in large numbers. Even after the states enacted new laws or amended the existing ones and enlarged the area of the protection to the tenants, the position of the tenant remained the same. Some of the problems have been identified by the NCA (1976) in tenancy reforms. Firstly, sharecroppers, who constitute a major proportion of the

tenants, were not included in the definition of the term tenant. Secondly, the provisions of voluntary surrenders and resumption of land for self-cultivation were ruthlessly exploited by the land owners. It is reported that in Haryana State upto March 1973 about 143.9 thousand hectares of land were resumed for self-cultivation; involving 77,806 tenants and about 41,099 cases were recorded, relating to voluntary surrenders which means in Maharashtra, about 84,668 and 1,21,711 tenants were evicted under the pretext of self-cultivation and voluntary surrenders respectively. The same scenario prevailed in Punjab also (NCA : 1976).

A large section of politicians and administrators themselves are reported to have aided and abetted land grabbing. The still more startling reality in most states was that in varying degrees, politicians and administrators were themselves exposed to the charge of land grabbing (P. C. Joshi : 1987). The findings of Harcharan Singh Committee Report highlights these facts. The report showed how new forms of land grabbing had over-shadowed the notorious methods prevalent so far of land grabbing through the voluntary surrenders of land by tenants in favour of their owners. This report created a political storm in Punjab. Ladejinsky (1977) very correctly remarked that this kind of deal exposed by the committee was not unique to Punjab and that given the structure of Indian society,

particularly in the rural areas, the rich and influential can get away with a great deal of conceivable misdemeanour.

Thus, provisions regarding voluntary surrenders have become the biggest instrument in the hands of the landowners to deprive tenants of their protection. The landowners resort freely to pressures and coercion to secure surrenders in order to get their tenanted land vacated. Experience has shown that implementation of tenancy laws has been accompanied everywhere by large scale surrenders of tenancies which defeat the very purpose of tenancy legislation.

The impact of ceiling laws in terms of surplus land acquisition was virtually negligible. The declared surplus land is far less than the surplus estimated. This can be seen from Table 2.2. As pointed out by Mathur (1980), one of reasons can be that the term "perennially irrigated" and "irrigation from government sources" used in ceiling laws are not without meaning. They represent efforts to remove all the teeth from the ceiling law. "Perennial irrigation" has been defined to mean irrigation for at least 10 months in a year and there are few canals which serve this purpose. Therefore, this provision is not relevant to most lands. It only restricts the law considerably. "Irrigation from government sources" creates another significant exemption. It would mean

that farms irrigated by private sources which are primarily tube-wells will be exempt from ceiling. This would reduce the land available for the application of ceiling laws to around 1/3 of the total cropped area. Because of loopholes in ceiling laws, its impact on the pattern of the size and distribution of the land holding is not substantial.

The cooperative farming movement, right from its inception, has been proved a failure. The consolidation of holdings has taken place in a few states, which suggests that the marginal and small holdings are going to stay for a longer time. Nirmal Sengupta (1986) pointed out that of all land reform measures, consolidation of holdings has received least critical appraisal. There are numerous factors which have impeded the progress of consolidation of land holdings. Firstly, fear of displacement among tenants and sharecroppers and lack of upto date land records. There is also an advantage to have land in fragmented parcels in the event of flood and other natural calamities. There is apprehension in the peoples mind that the bigger farmers would get a better deal, especially when lands are not homogeneous. Also, historically, the village communities themselves used to consolidate land. Thus, consolidating the land for them goes against their traditions. It is difficult to ascertain whether fragmentation of holding adversely affects productivity. At

the same time fragmentation of holdings saves the peasant from the adverse neighbourhood effect and in certain cases, the fragmentation of holding automatically involves equal distribution of resources such as groundwater.

Summary

This chapter deals with the formulations of land reform policy, major objectives and effectiveness. The basic idea behind land reform policy was to achieve the high agriculture productivity through the creation of peasant proprietorship and the distributive justice by creating equality among the cultivating classes in rural India.

The NCA has observed that with all the moderate stance on land reform legislation in India, the performance by and large had been disappointing. In fact, the tragedy of land reforms in the country lies essentially in the manner and method of its implementation. The commission found a widening gap between the declared objectives of land reform legislation and its actual achievements in terms of institutional and structural changes for mass welfare (N.C.A. 1976 : 89). It concluded that both the legislator and the administrator have failed because land reforms involved basic structural changes affecting property rights in land, officials could not function effectively as agents of change.

The Task Force (1973) appointed by the Planning Commission has also gone into the reasons for poor performance. These in its view were lack of political will, legal hurdles, absence of correct and up-to-date records, diversity of state laws, inadequate coordination, lack of financial support, absence of pressure from below, weakness of the administrator organisation, and deficiencies in reporting system and evaluation. The report stresses that the programmes of land reform have been viewed in isolation from the main ingredients such as abolition of intermediaries, tenancy reforms and ceilings. Though inter-related, they were treated as disjointed programmes, implemented in isolation of one from the other. This resulted in imbalance and waste of efforts and funds.

In the second phase of land reforms, the political elite belonging both to the ruling and the opposition parties, have, by and large, evaded the responsibility of creating the ideological and political support for further changes in the land system. This becomes evident when one takes note of the fact that questions of land policy i.e. the issues of tenancy reforms, land ceilings and agricultural cooperative had seldom been discussed with any seriousness at various levels of party structure by political parties in the post Nehru era. Seldom has an attempt been made to prepare the political leadership and the political workers as agents of a vast educational

campaign, specially in the rural area.

In sum, we can say that the changes in the agrarian structure have not been really significant, whereas legislation on ceiling on land holding seems to have contributed both directly and indirectly to some reduction in inequality in ownership, but such reduction is not visible in operational holdings. The tenancy legislation and tenancy reforms as such seem to have contributed to the increase in the inequality in the distribution of operated area through the resumption of land by large landowners. Millions of tenants have been evicted under the pretext of voluntary surrenders and self-cultivation. As a result of this, the position of tenants have become worse over a period of time. Very little emphasis has been placed on consolidation of land holding and cooperative farming. These two objectives have also received the least critical appraisal. P. C. Joshi (1987) has summed up the dilemma of Indian land reforms in the following words : "The more things change (in India) the more they are same : This is the cynical reaction which every fresh promise for expediting land reforms receive in India today."

CHAPTER III

TENANCY : RECENT DEBATE AND VARIOUS ISSUES

Discussion concerning the economic effects of tenancy dates back to early economic writings where the Metayer system of sharecropping, in France, was debated to be inimical to the advancement of agriculture and counter productive to the interests of tenants and of landlords (Bharadwaj : 1984). The issues have been revived, in the recent times, in the context of land reforms. The problem of agricultural tenancy has attracted a great deal of attention not only from agricultural economists but also from economists in general. Questions were raised concerning the relative efficiency of : owner operated; rented; and capitalist farms; as well as the comparative performance of different tenurial systems mainly sharecropping and fixed rents. Despite the prolific growth of literature, both theoretical and empirical, there has been little convergence in opinions on the economic significance/efficiency of tenancy contracts. There is a large divergence of opinions about the causes and effects of sharecropping. Differences arose about decision variables and mainly on the assumptions and constraints within which they operate.

In this chapter, we shall examine the views expressed in the classical doctrine and private property doctrine (neo-classical economists), about the efficiency of sharecropping as an institutional arrangement. Next we will discuss the efficiency of the sharecropping system and how such a system is persisting over a long time. We will try to locate the rationale for the existence and continuation of the system overtime. Finally, we intend to discuss the question of co-existence of different tenurial arrangements.

3.1 Classical Doctrine

All classical writers including Smith, Ricardo, Jones, Mill and Marshall attempted to rank various land tenure arrangements according to some notion of economic efficiency. Jaynes (1984) shows that all these classical economists primarily took a view that appearance and adoption of various land tenure systems is a historical evolutionary process that has been conditioned by the development of monetized market, capitalism and affected by efficiency improving changes in the organisation of agricultural production. Basic to this idea are four primary modes of tenancy : (a) rent in the form of labour; (b) share rents; (c) fixed rents in the form of produce; and (d) fixed rent in the form of money. These can be ranked from bottom to top with respect to productive

efficiency and from top to bottom with respect to evolutionary precedence.

A share rent contract usually requires the tenant to pay the landlord a specified proportion of the farm produce. The crop share lease, which calls for payments of a certain proportion of the crop to the landlord, is the most common share lease in agriculture. If the interests of the landlord and tenant conflict, then the net product of the farm would be much less than the potential. The tenant would cultivate intensively (in terms of resources) and the landlord will refuse to make any improvements. Therefore, share tenancy is said to result in less intensive and less efficient farming because the tenant's incentive to work or invest in land is reduced. Because of this reason, sharecropping was criticised by all important classical British economists. The attitude of these early economists was conversely one of disapproval, and occasionally of strong condemnation. Holding up the English system of capitalist farming as the desired model, they found sharecropping to be a necessary evil in a world in which capable farmers could not be found. Economically, they found sharecropping defective in that it did not provide adequate incentives for investment (Quibria and Rashid : 1984).

The system of sharecropping was regarded as an improvement over labour rents, at least by Smith, Jones

and Mill because under other systems, the status of the share tenant was considerably higher than that of a slave or serf. At least he could acquire property and he was not subjected to the same degree of supervision. However, there was a widely held view, with the sole exception of John Stuart Mill, that this form of tenure was still extremely inefficient. Mill advanced theoretical arguments along with an example of Italy, which had been advocated by Sismondi. Sismondi himself a residual landlord of that area, showed that sharecropping was entirely compatible with prosperous agriculture. On the basis of this one example, Mill refused to follow the common course, and indeed one finds occasional note of admiration for sharecropping in his presentation.

Alfred Marshall renewed the interest in the tax-equivalent approach which the classical economists followed and expressed the view that share tenancy was an inefficient institutional arrangement. He argued that the tenant would, in order to maximise his income, apply labour only upto a point where returns to labour are above the wage rate. This implies that production will not be carried to a point where labour will be rewarded its marginal product. The maximisation condition further requires the assumption that marginal product of land will be driven to zero.

D. G. Johnson (1950) formalised Marshall's analysis and right in the beginning of his analysis accepted the view that sharecropping is an inefficient system. He noted that his analysis is based on circumstances in which the tenant and landlord view their interests separately, which is similar to Marshall's supposition that the tenant is free to cultivate as he chooses. But at the end of Johnson's analysis, he was reluctant to accept the implication of the inefficient resource use under a share contract and he argued that the landlord can enforce the desired intensity of cultivation through (i) specification of labour inputs, (ii) insistence on short term leases which would enable the landlord to make periodic review of the performance of tenant and (iii) splitting the expenses of cultivation in the same proportion as the rental ratio (Johnson : 1950, pp.119-20).

3.2 Neo-Classical Approach

Until the late 1960s, there was a peculiar dichotomy regarding the question as to whether the form of tenure matters. On one hand, the owner-occupancy and fixed rent tenancy were regarded as equivalent. Either arrangement would lead to efficiency in the use of resources. On the other hand, the share tenancy was regarded as inefficient (Currie : 1981). This view was challenged notably by Cheung (1968) and Stiglitz (1974).

The result has been a renewed debate as to whether the form of land tenure really matters. The basic criticism of inefficiency in the Marshallian model is that only a fraction of the marginal product of labour is equated with competitive wage rate. The equilibrium of Marshallian inefficiency is derived from the optimisation of the tenant alone without due consideration of the landlord's optimisation behaviour with respect to the choice of contract.

Cheung (1968,69) developed a counter thesis to Marshallian theory based on the optimisation behaviour of the landlord. He shows that the share tenancy can achieve Pareto optimality under the condition of zero enforcement cost. His model assumed that in equilibrium the net income of the tenant is zero so that the excess supply of tenants who seek contract does not change. Thus, in Cheung's model, the landlord determines the share rental, the number of parcels for division of his land, and the labour intensity. The tenant is free either to lease in land or to work as a wage labourer at the given wage rate. The optimisation condition requires that labour intensity on share croppers land be such that wage equals marginal product of labour and rent per unit of land equals marginal product of land. Thus, in equilibrium, the landlord is indifferent between leasing out land either on a fixed rent or sharecropping basis or cultivating it himself with wage

labour. In his later discussion, Cheung introduces risk aversion and transaction costs in order to explain the choice of tenure. But he does not include these in his formal model. (Binswanger and Rosenzweig : 1984). Bardhan and Srinivasan (1971) have criticised Cheung's model on the ground that it does not incorporate the tenant's optimising behaviour. Jaynes (1979) has shown that Cheung's model achieves its efficiency outcome because it simply assumes away two problems - namely the negative incentives of sharecropping and difficulty of monitoring efforts. If these problems did not exist, we would not observe share tenancy. Thus Cheung's model must introduce supervision cost and moral hazards to explain the existence of the contract which his formal model explores under conditions in which such source of market imperfection does not exist.

In order to facilitate understanding of the implication of the Marshallian and the Cheungian model, the discussion is restated in terms of Figure 1, which has traditionally been used for illustrating the Marshallian inefficiency.

In Figure 1, under the Marshallian assumption of unenforceable contract for a given amount of land and a given share rate, the equilibrium of the share tenant's optimisation is established at f , at which the tenant's share of the marginal product of labour is equated to

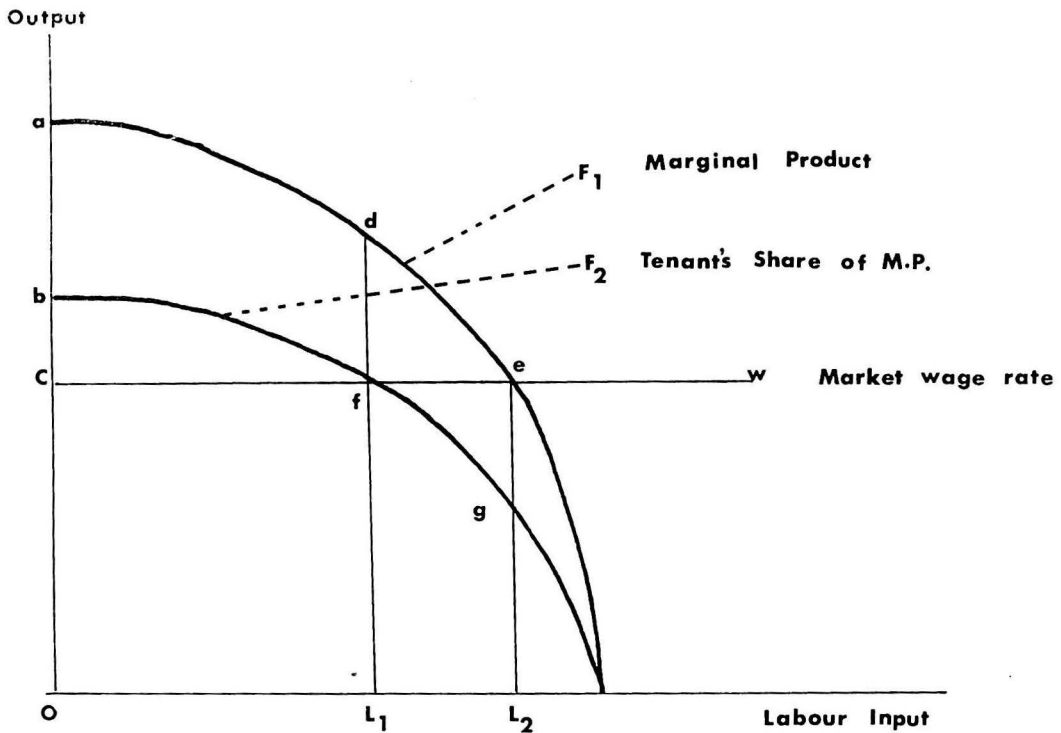


Fig. Mode of Contract Choice

the competitive wage rate. Total produce is $oadL_1$, the landlord's share is $badf$ and the tenant's share is $obfL_1$. In Cheung's model, the equilibrium will be established at e , the total produce is $oaeL_2$, landlord's share is aec and share tenant's/wage labourer's share will be $ocel_2$. Under the Marshallian model, area bfc represents the amount received by the tenant over and above his alternative earning ($ocfL_1$). The excess earning bfc will give rise to excess supply of tenant/labourers seeking

the share contract because all of them will prefer the share to the other forms of contract. With equilibrium at f , the marginal product of labour is higher than market wage rate. Share tenancy is therefore inefficient with area def representing the economic waste. It can be seen that under the Marshallian model the labour input L_1 is lower than the Pareto optimum labour input (L_2) (under Cheungian model), which corresponds to the equality between the marginal product of labour and market wage rate to be established at a point e under fixed rent tenancy and owner farming.

The excess supply arises in the solution of the Marshallian model because it neglects the landlord's optimisation behaviour. If the landlord's optimisation behaviour is considered, he will not accept a share rent lower than the fixed rent and will try to eliminate the tenant's excess profits by requesting that the tenant pay a fixed sum equivalent to area bfc and further, he will try to raise share rent in order to induce the tenant to increase his labour input. In equilibrium the system will converge to fixed rent tenancy contract, in so far as the contract term on the tenant's labour input is difficult to enforce. The Marshallian solution can exist in equilibrium only when the landlord is an altruist who, as a benevolent patron, supports the income of poor clients at the expense of his income (Hayami and Otsuka : 1988).

Under the Cheungian assumption of enforceable share contract, the tenant's labour input is contractually specified at an optimum level L_2 for a given amount of land. Output sharing rate is adjusted by the landlord so that share rent equals the fixed rent i.e. area (bfc) = area (feg).

In either case, the resource allocation and income distribution under share tenancy are the same under the other forms of land tenure arrangements if the contract is enforceable. In contrast, if share tenancy exists under the Marshallian assumptions, the labour input and hence the yield levels as well as the land rent will be lower for share cropped land than for the land under the other forms of land tenure, although the tenant's income from farming under share tenancy (area bfL_1o) can be larger or smaller than under fixed rent tenancy (area ceL_2o).

Bardhan and Srinivasan (1971) were the first to extend the conventional unilateral maximisation approach to a general equilibrium approach. They allowed both landlord and tenant influence in determination of the share rental, while retaining the perfectly competitive labour market assumption of Cheung and Marshall. The share tenant in their model has the option of leasing in land to cultivate with his own-labour or working as wage

labourer in some alternative employment. The tenant is assumed to maximise his utility defined in terms of income and leisure. They also assume that demand for land is an inverse function of rental share. On the supply side, the landlord has the option of cultivating his own land with hired labour or renting out land for sharecropping. In the former case, he has to pay the hired labour at a given wage rate and in the latter case, he gets the share from the tenant's output. The landlord himself does not offer any wage labour but is assumed to work along with hired workers. The landlord, like the tenant, is assumed to maximise his utility which is defined in terms of income and leisure. This maximisation process will presumably lead to a supply function of landlord for sharecropping. Then combining the demand and supply functions so determined, Bardhan and Srinivasan go on to determine the competitive share rental.

The Bardhan-Srinivasan model, though more general, thus preserves all the inefficiency arguments of the original Marshallian paradigm. Indeed, Cheung was able to demonstrate the efficiency only by making the landlord a monopolist. Bardhan and Srinivasan also retain the zero marginal productivity of land condition in their model, a condition which was pointed out by Newbery (1974) to be highly implausible in land scarce economy.

Newbery's criticism is based on the fact that most production functions, such as Cobb-Douglas, never display zero marginal productivity for land and equilibrium does not exist.

One modification of the Marshallian tradition is provided by Lucas (1979), who presents a joint optimising system, which is differentiated from others by the feature that wage labour now requires monitoring in order to extract full effort. Landlords may now prefer share tenancy contracts because under share tenancy, workers have an incentive to work hard even without supervision. Lucas concludes that two distortions seem to emerge in this world. Monitoring cost for the landlord and a share tax on the tenant, he further concludes that efficiency statement requires second best comparisons with specific functional forms. For a set of Cobb-Douglas production functions and linear monitoring functions, he finds that the mixed wage/share tenancy economy is technically more efficient.

One problem that has not been adequately dealt with in any of the models is of the number of tenants a landlord should engage. If there are constant returns to scale then the solution becomes entirely indeterminate as all parcels of land can be made to yield proportionate returns. If there are decreasing returns to scale, then the landlord has an incentive to make each plot

infinitesimally small because this will maximise the marginal product of land and this solution is again unreasonable.

3.3 Different Explanations for the Existence of Sharecropping

In the recent years, there has been a resurgence of interest in sharecropping because this system appears to be an inefficient institutional arrangement. The question arises, how could such an inefficient system flourish in so many places and over such a long duration? There have been several attempts, however, to establish a rationale for the existence of share tenancy. Most of the explanations for the existence of sharecropping are explained in terms of risk sharing, costly monitoring of labour input, asymmetric/imperfect information and screening device. We may discuss these in detail.

3.3.1 Risk Sharing and Sharecropping

Perhaps the most common answers given for the existence of sharecropping is the existence of agricultural risk. Sharecropping is seen as a device to share such risk between landlord and tenant. A number of economists have attempted to provide a rigorous formulation of this problem. The idea that share contract might have risk sharing advantages over fixed rent and wage contracts was suggested by Cheung. Rao (1971) finds that

the existence of uncertainty in agricultural production has an important role in determining the form of tenancy. According to his observation, crop sharing tenancy is predominant in areas of relative economic certainty where the scope for decision making is limited, while fixed rent tenancy is more important in area of relative economic uncertainty, there is considerable scope for decision making. The basis for the argument is that a fixed rent contract causes the tenant to bear all the production risk, in the absence of an insurance market or other means for diversifying risk. In a similar situation, the landlord would bear all the risk if he or she hired the worker at a fixed wage. Hence, if both landlord and tenant are risk averse, neither arrangement is optimal in terms of risk bearing. A share contract on the other hand, assigns some risk to each of the contracting parties and might be preferable. This analysis assumes that there is no incentive problem, so that inputs such as labour are observable and can be specified in the contract. With this assumption, however, the strongest form of the risk sharing explanation does not hold. This was demonstrated by Reid (1976) and by Newbery and Stiglitz (1979). Newbery and Stiglitz (1979) demonstrate that under the assumptions of constant returns to scale and no indivisibilities of plots - if two subplots are rented out under fixed rent and wage labour,

then the returns to the landlord would be the same as accrued under share contract from the whole plot. In other words, sharecropping does not provide superior risk sharing. Newbery (1977) demonstrated that with multiplicative production risk, sharecropping, in addition to an uncertain labour market and fixed rent, will ensure production efficiency. But the results rest on the strong assumption of full employment. Newbery and Stiglitz (1979) have demonstrated that with a second independent source of risk, such as wage rate, risk in the labour market, share contracts are superior to a mixture of wages and fixed rent contracts. If there are multiple sources of risk, the sharecropping contracts as the necessary instrument to achieve productive efficiency i.e., it prevents rather than creates an inefficient allocation of resource. Transaction costs, incentive problems or some other imperfections are responsible for sharecropping.

Another case where share contracts may improve risk sharing when there are non-tradable inputs. Bell (1986) considers a world with uncertainty and argues that risk sharing might be improved with share contracts in addition to wage and fixed rent arrangements. Suppose there are competitively determined wages and rental rates. In the absence of a market for the non-tradable input, the competitive equilibrium will not be constrained efficient in general. The reason is that marginal products

and implicit risk premiums are not equated across individuals with different endowments of the non-tradable input. Then it turns out that, if there are households that would work only for wages in the presence of wages and fixed rent contracts, one can find share contracts which induce these households to choose some degree of share tenancy and at the same time are profitable for the landlord. The intuition is that these households can now use their endowments for non-tradable input without being exposed to the greater risk of fixed rent contracts. Newbery and Stiglitz (1979) show that sharecropping may be a preferred alternative with uncertainty in the labour market. This would allow landowner to reduce enforcement costs and the tenant to disperse risk.

3.3.2 Monitoring of Labour Input

There are several analyses, which have tried to provide explanations of sharecropping based on the cost of monitoring the labour input. The main argument advanced is that if one employs wage labour, one has to incur supervision costs on top of the nominal wage bill. As most wage labour is paid by hours worked and not by the effort spent, the employer's struggle concentrates on increasing the effort spent by each worker. Either the employer or a hired supervisor has to be at the work place in order to make sure that the efforts are maximised. In

the former case, the supervision costs are implicit and are equal to the value of time spent by the employer at the work place. In the latter, supervision costs are explicit and are equal to the amount paid to the hired supervisor.

Stiglitz (1974) argued that sharecropping was an institutional arrangement designed both to share risks and to provide incentive, in a situation where monitoring efforts were costly. Sharecropping represented a compromise, and rental contract provided perfect incentives but provided no risk sharing. On the other hand, wage contracts shifted all the risk on to the landlord, who was in the best position to bear it, but provided no incentives. To ensure that the tenant puts in his best efforts, the landlord would have to spend on monitoring the workers.

The cost of supervision of labour aspect is also dealt by Amit Bhaduri (1983) and Rashid Perteve (1986) in their models. The power is distributed unequally in favour of landlord and the labour contract gets shaped more or less entirely according to his interest. Share tenant is on the border of subsistence. The central proposition of Bhaduri's paper suggests that the landlord's decision regarding the size of the farm to be leased out to each individual tenant is largely determined by such

considerations of optimum labour contract in the absence of direct supervision; in other words, the optimal size of the leased out farm is guided by considerations of indirectly enforcing a labour contract that is most advantageous to the landlord. The landlord maximises land productivity by parcelling out land in such small units that the tenant can just meet his subsistence requirement only if he uses it intensively. In this model, not only does he prefer large tenant families with more household labour in tenancy contracts but perhaps also would like a positive correlation to exist between tenant family size and the size of leased out farm. With these conditions a more or less uniform per capita subsistence requirement is met across such leased out farm size and the survival threat is maintained in controlling the labour process. This arrangement minimises the supervision costs of the landlord. Pertev's (1986) model assumes higher cost of supervision than other model. According to him, the owner operated farms with the help of wage labour involves higher supervision as compared to sharecropping farms. He has also shown a link between sharecropping and inverse relationship between size of holding and land productivity. His analysis differs from that of Bhaduri (1983). Bhaduri's causality seems to run from inverse relationship to sharecropping; the landlord does his

calculations taking into account that an inverse relationship exists. In Pertev's view, the opposite causality is the case and the landlord's calculations of surplus maximisation contributes to the inverse relationship.

According to Binswanger and Rosenzweig (1984), costly supervision arises because of imperfect information. Information is asymmetrically distributed between landlord and tenant because the tenant knows how much effort he or she will provide, the landlord cannot know this at sufficiently low cost.

3.3.3 Market Imperfections and Sharecropping

The absence of a sales market for land is not a sufficient condition to force the use of tenancy. In order to explain why sharecropping exists, a second source of imperfection becomes an essential theoretical requirement. This imperfection arises from another source of uncertainty, risk in the labour market, an incentive effort, transaction costs or imperfect capital market.

The role of capital market imperfections in explaining the incidence of sharecropping has been emphasized by Jaynes (1982, 1984). His arguments are based on imperfections in the market for shared input, which is interpreted as capital. There is no uncertainty in his model and monitoring costs are also included. His main

point is that the cost sharing potentially occurs because the landlord does not have enough capital himself and hence seeks households with sufficient wealth. Thus if the capital market is imperfect, the capital constrained landlord and the capital holding tenant can both gain by entering into the share contract. The model Jaynes presents is a monopolistic competitive model of land tenure where the landlord tries to maximise his income subject to the reservation utility of the tenant. There he shows that the landlord's profit maximisation requires that each receive a share of output equal to his share of capital costs.

Newbery and Stiglitz (1979) also consider in their model imperfect markets for inputs other than labour. Indivisibilities of inputs lead to economies of scale and they point out that economies of scale can make share-cropping attractive in the absence of incentive effects, if there are risks in production. Indivisibilities arise in the case of bullocks or other capital equipments if rental markets are deficient. Bullock rental markets may be absent or poorly developed if there is lack of flexibility in the timing of bullock operations, such as seedings. Such inflexibility makes reliance on rented bullocks too risky. This point is also made by Bliss and Stern (1982).

3.4 Co-existence of Different Tenurial Arrangements

The above discussion only provides a rationale for the existence of share tenancy. In this section, we intend to provide an explanation for the co-existence of different tenurial arrangements.

3.4.1 Self-selection Model and Sharecropping

The basic idea behind this explanation is that the landlord cannot directly observe some characteristics of potential tenants that affect productivity, such as entrepreneurial or other abilities. Then, by offering a menu of contracts, including share contracts, the landlord can get individuals of different ability to select different contracts. Hypothetically tenants are thus screened according to ability. In general, some landlord or tenant, depending on the market structure will be better off than if only wage and fixed rent contracts were available. The lowest ability individuals might not receive a contract at all - they might be screened out of the market (Hayami & Otsuka : 1988).

The "screening model" has several good features. First, it explains the coexistence of sharecropping with fixed rent and wage contracts. Second, it fits with the observation that share tenancy is often associated with lower productivity than fixed rent tenancy, since the

model predicts that able and more productive tenants will choose fixed rent contracts and the less able will choose sharecropping. Third, and related to the second point, the model seems to agree with the agricultural ladder hypothesis, which is based on the observation that, as agricultural workers gain physical and human capital, they progress from wage labour to sharecropping, then to renting and finally to owner operation (Nirvikar Singh : 1989).

The "self selection model" or "screening cost" model was first developed by Hallagan (1978) and later on, independently by Newbery and Stiglitz (1979) to establish a rationale for the existence of sharecropping. In the model originally developed by Hallagan, share tenancy is considered to exist as one of the contract arrangements from which workers themselves can choose so as to best utilise their entrepreneurial ability in the absence of information to landlords on workers' abilities. The workers who do not know their abilities, will segregate themselves according to their respective abilities. Those with the lowest entrepreneurial ability will enter wage contracts; those with the highest entrepreneurial ability will enter fixed rent contracts and those with entrepreneurial ability falling within some intermediary range will sign share contracts.

Otsuka and Hayami (1988) pointed out that Hallagan's model has a critical shortcoming in that the worker's optimisation alone is considered, neglecting the landlords. If the landlord tries to maximise his income, he will not accept the share contract with the tenant whose ability falls within some intermediary range because the fixed rent is higher than the share rent. Thus, if the landlord has no information on the ability of workers, he will propose the fixed rent contract alone and let the workers choose either that or wage employment.

Basu (1982) allows for competition among landlords and this destroys the screening results in Hallagan's model. Suppose there are two landlords. Then the equilibrium cannot be the screening equilibrium, since the landlord renting out to a high ability person earns more on the rented plot of land. With more than one landlord, they will bid up the price of the high ability person so that the return on any plot of land is the same and also the return from renting to the less able person. Thus the returns for fixed rent tenant and sharecroppers are the same, consequently the sharecropper also receives a fixed rent contract. The same argument applies to a situation with many landlords, many potential tenants, more than two ability levels : equilibrium will involve all the tenants receiving fixed rent contracts and landlords

getting a rent equal to the expected surplus of the tenant of marginal ability. There is no screening and hence no role for share contracts.

One seemingly attractive feature of these screening models is that they are consistent with the agricultural ladder hypothesis. However, as Basu points out, Spillman's version of this is quite different, being a rather Shakespearean account of the stages of a farmer's life. It focuses more on the development of the farmer's skill over time than on inter-farmer differences in a situation. On the other hand, there exists cross-sectional evidence of a similar pattern, which one might also call an agricultural ladder. A more telling criticism does emerge from a consideration of what happens over time. In screening models, the ability or land quality is generally revealed sooner or later, through self-selection of contract terms. In the real world, one would expect such knowledge to be gained gradually by direct observations. Once this happens, screening is unnecessary and only wage and rent contracts are needed. Hence, the validity of such a model in agricultural context with little immigration and limited use of new techniques is questionable here one would expect abilities and land qualities to be well known. This seems to be a major problem with the screening models (Nirvikar Singh : 1989).

Shetty's (1988) model considers wealth or income constraint on the tenant. His main idea is to provide an explanation for the tenancy ladder hypothesis. He does this by considering tenants with different levels of wealth, where this wealth can be collateral for amounts due as rent. There is the moral hazard problem, so default on fixed-rent commitments is possible. The landlords compete for wealthier tenants because they are less likely to default on agreed payments. Richer tenants will get fixed rent contract and even higher profits than the poorer tenant who gets a share contract.

Shetty actually considers potential tenants with different wealth levels and identical reservation utilities. Wealth is observable, and landlords compete for wealthier tenants, whose expected return is high. There is one plot per landlord, and the plot size is fixed. Hence, while the tenant at marginal wealth level gets his reservation utility, the expected income of landlords from the wealthier tenant is equated to that from the poorer tenant. If the wealth level is high enough then, as Shetty shows, fixed rent contracts will be used. If the wealth is below the critical value then sharecropping will emerge. While the model establishes that a fixed rent contract will not be used for tenants below a certain wealth level, it does not demonstrate that the actual contract will be a share contract. The model also predicts

that poorer tenants who may default will receive share contracts. This is established in a model with wealth constraints and heterogeneous tenants (in terms of wealth), both realistic assumptions and with a characterisation of the monopolistic equilibrium.

3.4.2 Transaction Costs of Non-labour Input

Another line of approach to find a rationale for the existence of what is considered ^{to be} / the cost of enforcing the terms of contracts with respect to inputs other than labour, which is a trade off relation with enforcement cost of labour.

Murrel (1983) and Datta, O'Hara and Nugent (1986) and less explicitly, Alston, Datta and Nugent (1984) suggested a transaction cost model in which the possibility of a tenant's moral hazard is considered with respect to the management of farm land and capital tied to land, (such as fences and farm ditches) (Hayami & Otsuka : 1988). Indeed, depletion of soil fertility due to land mismanagement by tenants has long been known to be a serious problem in tenancy contracts. It is reasonable to assume that the incentive for the tenant to gain from abuses of farm land and capital becomes larger as share rent becomes larger. There, the cost of enforcing the terms of the contract with respect to labour input, or the efficiency loss arising from the Marshallian misallocation of labour input, is

inversely related to the cost with respect to land quality management.

A more recent attempt to incorporate the transaction costs of non-conventional inputs into the tenancy model was made by Eswaran and Kotwal (1985). Drawing on the theory of the agricultural ladder, they considered a situation in which young tenants who have little experience with farm management prefer the share contract in order to secure advice from well experienced landlords.

In the formal model, there is one landlord and one potential tenant. Each is risk neutral, so risk sharing or insurance do not enter in their model. They have also incorporated managerial and supervisory inputs. It is assumed that the landlord and tenant have differential abilities in providing these inputs. The landlord is better at management, whereas the tenant is better at supervision. The justification is that the landlord has better access to information, markets and institutions, while the tenant is able to supervise family labour, possibly a large component of labour input. There are three contractual options considered. First, the landlord can self-cultivate by hiring labour at wage and providing management and supervision himself. Second, he can lease out the land to a tenant for a fixed rent, the tenant then hires labour and provides management and

supervision himself. Finally, the landlord and tenant can enter into a share contract in which the former provides the opportunity for specialisation in tasks where each person has an absolute advantage. However, there is an incentive problem for each, since management effort and supervision efforts are unobservable, and neither receives his full marginal product. The analysis proceeds by calculating the expected net income of the landlord for each of the three types of contracts. The landlord will pick the contractual form that gives him the highest expected pay off.

The chief virtue of the model is that it incorporates the observation that sharecropping is often associated with active participation by the landlord and with the pooling of managerial skills or other non-marketable inputs. Since both sides supply such inputs of which they have different effective endowments, neither a fixed rent nor a wage contract may be optimal. Another useful prediction is the changing contractual form (Nirvikar Singh : 1989).

Bell and Zusman (1980) have used the bargaining approach in order to explain the co-existence of different tenurial contracts. In their model of bargaining, Bell and Zusman consider risk, incentive effects and four factors of production : (1) land that is tradeable only

through tenancy, not in the sales market; (2) labour that is freely mobile among share tenancy, fixed rent tenancy and the outside labour market; (3) fertilizers or other modern inputs, also freely tradeable in a perfect fertilizer cum credit market; and (4) management capacity of the tenant, which can differ across tenants and is completely nontradeable. A landlord can gain access to the last factor only by renting land to tenants. Output share, input share, fixed rental rate and tenancy size are all determined in a bilateral, monopolistic bargaining process in which landlords and tenants each have some power, such power being determined by their relative numbers and by the levels of their respective endowments. Thus Bell and Zusman's model can accommodate all levels of landlord power, from pure monopoly to large number competition. Equilibrium is reached when it is impossible to improve one's utility by signing other contracts, in the case of a landlord, or by changing landlords in the case of a labourer. The inputs of labour, fertilizer and management are the tenant's discretionary variables. The possession of management skills gives the tenant some bargaining power unless there is only one landlord and an infinitely elastic supply of tenants. In such a case, management is no longer a scarce factor.

Summary

There are broadly two views regarding the consequences of crop sharing tenancy on input use and productivity of land. The first of these views - classical writers - state that the share tenant will not use inputs supplied by them, to their optimal level because of lack of adequate incentives and the productivity of share tenancy land will be lower and hence, this is an inefficient system. The second view - neo-classical - regards such inefficiency as incompatible with competitive equilibrium. They argue that when private property rights are well defined and freely alienable, maximization of wealth by the landlords and competition among the prospective tenants will ensure that the productivity of land (hence input use) cannot vary with tenure status.

Various explanations have been put forward by the economists to explain the existence of sharecropping. Some regard the sharecropping tenancy in land lease market as a partial response to the inadequacies or imperfections in other markets. Risky labour markets - uncertain employment or wages - costs of monitoring of labour application on the part of employers, imperfect marketability of family labour (manual as well as managerial) and of draught animal labour service - all of these contribute to the existence and indeed the

historical persistence of the institution of sharecropping. To these may be added the contributing factor of an inadequately developed credit market. Risk sharing and screen test device are other explanations put forward in order to explain the co-existence of sharecropping with other systems.

While the earlier literature was concerned almost exclusively with the efficiency or inefficiency of sharecropping, recent studies have enlarged the field of inquiry to include questions like (1) what factors influence the incidence of sharecropping and (2) why does sharecropping co-exist with other leasing systems? Since sharecropping is a diverse phenomenon, most of the explanations of sharecropping are diverse. The common argument is that sharecropping is a response to uncertainty and asymmetries in information and, as some believe, it is a response to different types of market failure, in labour, insurance, credit and capital markets. In recent years, the issue that has emerged involves interlocking of markets and sharecropping and this issue we will discuss in the next chapter.

CHAPTER IV

INTERLOCKING OF MARKETS AND SHARECROPPING

Interlinked contracts may be defined as transactions in more than one commodity or service made between the same pair of individuals and linked in an essential way. Like a landlord and a tenant enter into a contract in which the tenant rents a piece of land at a stipulated rent, and at the same time the landlord extends to the tenant credit, again on specified terms. If the contract in land (credit) could have taken place independently of that in credit (land) with no additional cost to either party the two contracts are not interlinked. An essential feature of this definition, therefore, is that delinking the contract would be infeasible or costly for at least one party. If it is infeasible, the two parties either transact in all the relevant goods and services or do not transact in any of them. If it is costly, linking, rather than not linking, will benefit at least one party (Braverman and Srinivasan : 1984).

4.1 Nature of Inter Linkages

It is being increasingly appreciated in the literature on agrarian development that many of the key

issues cannot be analysed without an understanding of the nature of inter linkage of factor markets (land, labour and credit) in the specific institutional context of a poor agrarian economy. For example, land reforms in the form of land redistribution and intervention in the land market alone cannot be effective if the existing linkages between land and credit agreements are not taken into consideration and viable alternatives to landlords as the major source of credit for small tenants and other peasants are not found. Quite often, a landlord and his tenant enter into several transactions at the same time : in land renting, in wage-labour hiring, in production and consumption credit, in cost sharing of purchased inputs, in marketing of output etc., all as part of a comprehensive, interlinked contract encompassing several markets. (Bardhan : 1980). Braverman and Srinivasan (1984) indicate the following conditions that lead to interlinking of markets.

- 1) There is an incentive problem because of the cost of monitoring and supervising effort;
 - ii) The tenant has no accumulated savings; so he borrows at the beginning of the production period; and
 - iii) There are imperfections in the capital market in the form of differing costs of capital to the landlord and to the tenant.

Quite often the linking of contracts takes place when there is a moral hazard problem, which results in an inappropriate externality. Moral hazard arises in a risk sharing contract when one party (tenant) can influence the outcome (output) through his action (effort) which cannot be effectively monitored. In such a case, the agent has an incentive to change the outcome in his favour, once the parties have agreed on the terms of the contract. Since both parties know this, the form of contract as well as its terms will often incorporate provisions that cover the moral hazard problem. Let us take the case of sharecropping. The tenant's effort, which cannot be scrutinised perfectly by the landlord through observation is affected by his capital endowment. If the tenant is short of capital, he will try to borrow some. The borrowing affects his effort and, consequently, output and the landlord's profits. Since the landlord can neither perfectly monitor the tenant nor force the tenant to exert a certain level of efforts (this being too costly), there is an inherent externality from the credit market into the production process. Since the landlord is aware of this externality, he can internalize it by linking the credit and tenancy contracts, thus promoting greater efficiency in production and increasing his own profits.

Another set of markets which get interlinked are credit and marketing. A trader's or commission agent's time is especially valuable at harvest, so if he can secure clients and business in advance by offering tied loans to cultivators, the time spent in making such arrangements will be economical.

Non-existence of markets is the rule rather than the exception, particularly in less developed countries. Landless rural households endowed with the labour of women and children, who do not work either because there is no market for their labour or because social taboos prevent them from working for others, often lease in land. The leased in land is cultivated mostly by non-marketable family labour, while those members of the household who can work as wage labourers outside the household farm do so, to a great extent. In this case, transactions in land and family labour become linked. There are several examples of linkages of similar nature, arising from the non-existence of markets for draft power and for tenant's managerial input.

Inter temporal linking is quite prominent, especially in the labour market. If the availability or cost of wage labour in peak agricultural seasons is uncertain, a landlord may wish to employ a permanent or attached farm labour, whose services are available to

him throughout the year. In this case, the linking occurs in an attached labour contract, which is an agreement to buy and sell labour in both peak and off seasons. The unlinked alternative is to hire wage labour in each season separately.

There are generally two types of inter linkages : coercive and voluntary. A coercive inter linkage occurs when the dominant party imposes its condition on the weaker party by resorting to socio-political or extra-economic coercive measures. A voluntary inter linkage is one, where both parties have an economic incentive to adopt or accept such linkages. Large number of studies are concerned with the latter type of inter linkages. The focus of this chapter is limited to issues related to the interlocking of markets in the context of share tenancy alone.

One of the most reported forms of interlocking is the simultaneous trading in the land, lease and credit markets. The land owner is observed to provide consumption and/or production loans to his tenants. This kind of situation occurs in the context of an imperfect capital market, where a tenant lacking suitable collateral may find in his landlord, the only source of credit. The landlord is better informed about his tenant's loan repayments capacity and also because he

can accept collateral security which is not acceptable to other sources of credit, e.g. the standing crops on leased land or the tenant's labour etc.

4.2 Theories of Interlinked Markets

Theories of interlinked markets can be grouped into four intermixed issues : (i) interlocking and exploitation; (ii) interlocking and innovations; (iii) social and economic institutions and interlocking; (iv) interlocking and input intensity. We tried to segregate the available evidences into these broad groups but certain internal overlappings do not allow such strict compartmentalisations.

The theoretical debate on this issue is triggered off by Bhaduri's (1973) paper. The central theme of his paper suggests that landlords interlock the land lease and credit markets in order to extract maximum surplus from their tenants and keep them in perpetual bondage of indebtedness and this leads to greater exploitation of the tenant since landlord cum-moneylender possesses monopoly power and the surplus product of the tenant is extracted by the landlord in two forms, the land rent and interest payments on recurring debts and the latter source contributing the major source of his income, under these semi-feudal conditions. The landlord does not have the incentive to adopt the new technology.

Thus, this kind of interlocking forms the basis of the political control of the class of landlords over the class of tenants. If the landlord is to adopt the new technology, then the consequent increase in productivity will make it possible for the tenant to pay back some part of the principal of the debt each harvest and therefore, eventually to break free of this bondage of perpetual indebtedness to the landlord. The landlord will then lose his flow of usury income and more importantly, this in turn will erode his economic and political domination in the rural scene. The landlord will, therefore, restrict the adoption of technology to such levels as will keep the tenant enmeshed in the stranglehold of indebtedness.

It is argued by a number of authors that if the landlords have such oppressive power as Bhaduri has attributed to them, then it is not at all clear why they cannot gain all the benefits of technological improvements by way of increased rate of interest and crop share. In their criticism of Bhaduri, Newbery (1975), Griffin (1974) and Ghose and Saith (1976) argue that in a land-scarce economy the tenants can be reduced to their subsistence level by suitably altering the rental share and other terms of the lease contract so that usury as a means of exploitation is redundant. These authors have also

questioned the appropriateness of assuming the exogeneity of the rental shares or interest rates (even when there are legally stipulated maximum rates, there are various easy ways of getting at them) if the power relationships in the village are what Bhaduri portrays them to be. This also means that Bhaduri's further consideration of a conflict facing the landlord between economic gains (in case the innovation is profitable) and loss of social and political control over the indebted tenant is largely irrelevant if the landlord uses his instruments of economic control appropriately (Bardhan : 1980). Bardhan has also questioned in what sense was crop sharing with interlocking markets to be regarded as semi-feudal and not a manifestation of monopolistic power of the lenders in a fragmented credit market.

A necessary condition of Bhaduri's result is that the tenant reduces his borrowing when his income increases as a result of the yield increasing innovation. Srinivasan (1979) has shown that even when one takes into account unanticipated production setback (due to bad weather) which drives the sharecropper to the unpleasant means of underpaid labour service for meeting his debt repayment obligation to his landlord, the former does not lower his consumption borrowing when his income goes up and thus the landlord's incentive to innovate is not blunted. (Whereas in Bhaduri's model, an increase in the level of

tenant's income will free him from the debt trap and because of this reason, the landlord will not adopt productivity-increasing technology.) This result, however, partly depends on the assumption that first period consumption is entirely out of borrowing, so that the income effect of borrowing is by definition positive.

Ghose and Saith (1976), have emphasized that adoption of new technology does not ensure improvements in the condition of tenants. Their paper analyses the relationships between usurious money-lending, share tenancy and the incentives for the adoption of new technology by the semi-feudal landlord who typically combines the roles of landowner and moneylender vis-a-vis the tenants. It is argued that in a labour abundant economy, a tenant's indebtedness, by itself, is not likely to restrict the adoption of technological improvements. The adoption of new technology does not automatically improve the economic conditions of the tenants, nor does it necessarily transform the semi-feudal relations of production into capitalistic ones.

It has been recognised that interlinking becomes important for the landlord only when his power is restricted in some markets. In other words, if the landowner-cum-moneylender can freely exercise his monopoly power in either the land market or the credit market,

then his participation in the other market provides him no additional advantages. He can exploit the tenant by exercising his power in any one of the markets. However, when regulations prevent the exercise of monopoly power in one of the markets, then by linking transactions in this market with those in which the landlord has unrestricted monopoly power, the landlord neutralises the adverse impact of the control (Bharadwaj K. : 1974 and Newbery : 1975).

Even if there is landowner's monopoly power in the credit and land lease markets as argued by Pant (1980), the landlord may not always prefer an interlinked transaction. In fact, he may so adjust the terms of tenancy and credit contracts that the tenant is induced not to borrow at all. Pant has also shown that when there is an interlinking, the interest rates charged on the loan is zero. Thus interlocking does not lead to exploitation through high interest rates on consumption loans to tenants. These results are totally contrary to Bhaduri's assertions but close to Bardhan (1980). Pant further argues that the landlord's power is restricted in one of the markets and his welfare declines as compared to a situation where he has complete control in both the markets. It is also shown, however, that a restriction on the landlord's power to set the interest rates on loans has

no adverse impact on the landlord's welfare provided he retains his freedom to set the rental share in the tenancy contract. Thus, his model suggests that in the context of interlinked tenancy and credit transactions, policies aimed at improving the welfare of the tenant by imposing restrictions on the landlord's power to set the interest rate are bound to be ineffective as long as the landlord retains his power in the tenancy transactions. A more appropriate policy would be to restrict the landlord's power to set the rental share. On the question of adoption of new technology, Pant argues that it will always be to the advantage of the landlord.

The other theoretical proposition advanced by Braverman and Srinivasan (1981) for the interlinking of markets is that if the landlord can force the tenant to his reservation utility level through variations in plot size, it is in the interest of the landlord to ensure that the tenant gets credit from the cheapest source, and in the event that the landlord is the source of the cheapest credit, it is done by interlinking tenancy and credit contracts.

A model of linkage between land, labour and credit transactions in the context of sharecropping is considered by Braverman and Srinivasan. It is shown that regardless of the presence or absence of linkage or any

other control by the landlord, as long as he can vary the size of the plot given to a tenant and there are enough potential tenants, in equilibrium contracts, a tenant's utility under sharecropping will be the same as that which he could have obtained as a full time wage labourer. With the possibility of landlords providing their tenants with credit, it is shown that landlords will resort to that option only if their opportunity cost of capital is lower than the tenant's opportunity cost of capital. If the government offers the tenant subsidised credit, the landlord may move out of the tenant's credit market and allow the tenant to borrow from the government. This increase in surplus due to government subsidisation of the tenant's credit will fully accrue to the landlord as a consequence of the utility equivalence result. Hence, government subsidisation of the tenant's credit results only in the subsidisation of landlords. Other partial reform by government, however, may force the landlord to tie credit and contracts, thereby, leaving the tenant's utility unaltered at its pre-reform level while affecting total output and the extent of tenancy. Their model thus provides one theoretical explanation for two almost opposite phenomena that are sometimes observed : low interest on consumption loans from landlord to tenant and the opposite, high interest, low volume loans.

Finally, in their model, utility equivalence implies that nothing short of land reforms (ownership rights to the tenants) will affect the tenant's welfare, as long as he is a tenant. Indeed, other reforms such as setting a floor on the tenant's share of the crop, making credit available to the tenant at a cost below the opportunity cost of capital to the landlord or banning the tying of credit and tenancy contracts have no effect on the tenant's welfare because the landlord can force the tenant to his reservation utility level through variations in the plot size.

Whereas, Bhaduri argues that interlocking of markets leads to exploitation of the tenant and is detrimental to the adoption of new technology, on the other hand, Bardhan (1980), Braverman and Stiglitz (1982) and Mitra (1983) believe that interlinking of markets improves allocative efficiency. The main argument is that interlinking of land, labour and credit improves allocative efficiency in the presence of costly monitoring and moral hazard problems in less developed agrarian economies where most contingent markets have not developed.

Braverman and Stiglitz (1982) analyse inter linkages in a world characterised by uncertainty and asymmetrical distribution of information between agents which give rise to moral hazard problems. They have shown

that for a given level of expected utility of the tenants, the landlords can increase their own expected utility by simultaneously controlling the credit market. This is so because credit given to the tenants increases the income of the landlords not only through interest receipts, but also via its effect on the effort of the tenants vis-a-vis lease land and their choice of techniques. Therefore, they suggest that both competitive and monopoly markets will, in general, be characterised by interlocking markets.

In a more recent paper, however, Braverman and Stiglitz (1986) agree with Bhaduri that the institutional structure of the economy may indeed be important in determining whether a particular innovation will be adopted? They show that under some plausible¹ conditions the landlord may actually wish to resist that innovation which unambiguously increases production.

Another situation in which markets can get interlinked is when the tenant's efforts are not observable and borrowing elicits more efforts on crop share land, the landlords can increase their income by interlinking tenancy and credit contracts (Braverman and Stiglitz : 1982; and Mitra:1983). Mitra has argued that interlocked contracts are a response to prohibitive monitoring costs and consequent moral hazard problems. He shows that when landlords are restricted in their choice of

rental contracts, a Pareto-efficient equilibrium cannot have any crop sharing contracts. This will be characterised by wage contract alone.

The need for availability of labour at right time and in the right quantity also sometimes forces the landlord to tie up land, credit and labour markets. If legal, social and moral norms put arbitrary restrictions on certain contractual terms (share rent, interest rate) in such a situation, the landlords may resort to interlinking transactions in different markets to get around the effects of such restrictions (Bardhan : 1980; Mitra : 1983).

Braverman and Guasch (1989) have shown that interlinking of tenancy and production loan contracts serves the landlord as a self-selection screening device to identify and allocate tenants according to their otherwise unobservable abilities. Unlike most of other works, they have analysed the interlinking of tenancy and production contracts. They have shown that in a world characterised by heterogeneous tenants with some unobservable attributes and numerous landlords with limited supply of land, the landlord resorts to a self-selection screening mechanism by offering interlocking tenancy-cum-credit contracts to identify and allocate tenants according to their abilities. Able tenants are offered more credit to buy inputs, but at a lower interest rate i.e., the landlord subsidises the

purchase of inputs by able tenants. In such a world, the equilibrium allocation with no interlocking is always inefficient.

In a recent paper, Gangopadhyay and Sengupta (1986) have challenged the conventional wisdom that it is only the landlord who stands to gain and therefore, has an incentive to interlock transactions in various markets. They argue that the tenants too, may have an incentive to profitably interlink transactions in land and credit markets. Hence they construct a more general model of interlinking where both the tenant and the landlords are allowed to make their voluntary choices subject to the constraints they face. They have shown that when both production and consumption loans are interlinked with the land market, rate of interest on consumption loan does not deviate from the market rate of interest but the interest on production loan is less than (equal to) the market rate if the tenants are risk averse (neutral). On the other hand, if only consumption loans are given by the landowners and the latter cannot operate in the input market, it pays him, as a second best policy to deviate from the market rate depending on the absolute risk aversion behaviour of the tenant.

They have also argued that it may not be possible to distinguish between consumption and

production loans. For example, if these are transacted in cash, (since production loans command a lower interest than consumption loans) the tenant may take only production loans and use part of it for consumption. In other words, there may exist a monitoring problem for the lender. They have studied this situation and have shown that the rate of interest is lower than the market rate.

Their results are in contrast to the results arrived by others in the literature e.g. Bhaduri (1973, 1977). It seems to suggest that interlinked markets and high interest rates are closely related. They feel that this is due to the lack of adequate instruments in the hands of the land owner-moneylender. On the other hand, if the lender is as powerful as he is made out to be, it is not clear why he should not have enough instruments to get to a situation which is optimal for him.

4.3 Fall Outs of Interlinked Contracts

Bardhan (1989) has figured out gains and disadvantages of interlocking. Firstly, interlinking saves transaction costs. In order to survive the slack season, the poor labour - lacking assets which can be used for collateral - looks for a source of consumption credit where he can repay the loan in the form of future labour services; but this will not be acceptable to many creditors, except to the employer - creditor who is in great need of

a quick supply of labour in the peak season. Such intertemporal interlinked barter transactions save on transaction costs and ensure the double coincidence of wants without which imperfectly monetised economies tend to be inefficient.

Secondly, interlinked transactions save on contract enforcement costs by making the possible discovery of dishonesty or default or shirking by an agent in one transaction too costly for him in terms of its spillover effects threatening other transactions and finally leading to the general loss of goodwill in the small closed world of a peasant community.

Thirdly, in a situation of moral hazard with respect to unobserved work effort, interlinked transactions can internalise some externalities. The landlord, by altering the terms and amount of the loan that he makes available to the tenant, can induce him to work harder or to undertake projects that are more to the liking of the landlord. Thus, if there is a positive externality of credit, there will be an incentive for the landlord to encourage the tenant to become indebted to him.

Fourthly, interlinked transactions provide a way of partially circumventing an incomplete or non-existent market. For the assetless tenant, without access to an organised credit market, the tenancy contract itself can

become a kind of collateral for credit transactions with the landlord-creditor; for the poor farmer it is possible to hypothecate the standing crop for raising credit from the trader-creditor. Kotwal (1985) shows how, in the absence of an insurance market, credit as a weather dependent side payment in tenancy (in bad year the landlord gives credit to the tenant who pays back in a better year) may solve the well known trade off problem between risk sharing and incentives that is central to the tenancy literature. Bardhan (1984) shows how the employer arranges various forms of seasonal labour tying relationships with the worker (through wage advances, credit or land allotment), essentially substituting for future's market in seasonal labour services.

While the above-mentioned potential benefits of interlinked transactions are desirable, it is important to look at the other side of the picture as well. The isolated rural economic community and its dense social network often dictate a kind of captive interlinking of transactions among the same small number of economic agents, with virtually all-or-nothing choices for the weaker partners. The very nature of the rationale for personalised interlinking may at the same time act as a formidable barrier to entry for third parties and is thus a source of additional monopoly power for the dominant partner in such transactions.

An interlinked tenancy and credit contract, while having the potential of benefiting both the landlord and the tenant, may thus imply that the landlord can now brandish the stronger stick of withholding both land and credit rather than land alone, whereas the professional moneylender can no more than deny the tenant the credit he seeks. Similarly, the labour-cum-credit contract may be a way for the landlord to segment the labour market.

The personalised interlocking of labour commitments and credit transactions often divide the workers and effectively emasculate their collective bargaining strength vis-a-vis employers, who use this as an instrument of control over labour process.

4.4 Multifaceted Interlinkages

In most of the cases, the interlinking involves two parties. There are, however, many cases of more complicated three-cornered interlinked exchanges. Bhalla (1976) cites from her study of Haryana villages in northern India : the worker gets supplies of essential consumer goods on credit from the village shopkeeper, which are repaid with his labour services to the landlord-employer, who in turn repays the original creditor by adjusting his account with the latter for grain deliveries or purchases. In a three-way relation it may be possible for the stronger party to extract more

surplus from the work than if they were involved in only a dyadic relation. Basu (1986) has constructed a model where the landlord can even press the worker below the latter's reservation utility in the dyadic case, by credibly threatening that if the worker does not accept his terms, not merely he will refuse to employ him, but he will persuade the shopkeeper not to trade with him; the threat is credible because the shopkeeper, if he has to choose between a larger and a smaller customer, will opt for the former.

Summary

In this chapter, we have examined issues relating to interlocking of markets and share tenancy. The first issue deals the consequence of interlocking of credit and tenancy markets to exploitation of tenant and perpetuation of semi-feudal mode of production. The second issue deals the incentive for the landlord to adopt new innovations with linking of credit market with tenancy. Third issue deals with interlocking and social and economic institutions, where a trader has the incentive to the loan with marketing and finally, we have discussed the input intensity and interlocking that results in optimal use of resources. Interlinked arrangements as shown by Bhaduri - are a manifestation of semi-feudal mode of production, in which usury is the dominant form of exploitation.

There is no incentive for the landlord to invest and adopt new technology. Thus, semi-feudal forces are an effective barrier to agricultural development. The other models have shown that interlinking of markets improve allocative efficiency. The main argument is that interlinking of land, labour and credit improve allocative efficiency in the presence of costly supervision and moral hazard problem in less developed agrarian economies where most markets are not fully developed. All these models assert that the tenants are landless workers. Sometimes it is also implied that they are much poorer than their landlords and live at the margin of subsistence. The landlords are assumed to have monopoly power over their tenants which enables them to prevent the tenants from renting land from other landlords. The tenants are perpetually in need of consumption loans which are supplied to them exclusively by their respective landlords at a rate (or without interest rate) determined by them. The landlords are also assumed to have the power to reduce the tenants to their reservation utility level through various means.

Notes

1. If the tenant borrows from the landlord because he gives him favourable terms, the rate of interest charged by the landlord must be less than or equal to those charged elsewhere. Hence, a reduction in the demand for loan is a real possibility. The direct effect of this reduction is perhaps as likely to increase landlord's profits as it is to reduce them. Thus, a landlord's incentive for adopting innovations may be enhanced or diminished by interlinking.

CHAPTER V

TENANCY ISSUES : A REVIEW OF EMPIRICAL STUDIES

In the third and fourth chapters we have discussed various issues related with share tenancy. The present chapter is intended to examine these issues with the support of available empirical studies pertaining to India. There is a sizeable theoretical literature on tenancy (in particular on share tenancy) but in comparison, the literature on the actual nature of contracts observed in peasant agriculture is rather small. In India, the large scale land holding survey carried out by the N.S.S. organisation and Agricultural Census (Agricultural Census of 1970-71) did attempt to give tenancy by types and land under these. But they have the information only regarding to (1) wholly owned and self-operated, (2) partly owned and partly leased in, (3) wholly leased in. ^{The} 1976-77 census adds one more category, holdings having some land operated otherwise. The small scale village surveys carried out by the Agro Economic Research Centres in different parts of India analyse the leased in and tenancy data. But we do not have sufficient information on the terms and conditions of tenurial arrangements.

However, a few studies covering some villages are informative in terms of their coverage of tenancy contracts (Jodha : 1984). Even with the microscopic nature and purposeful sample inhibiting statistical generalisation, these studies add substantially to the stock of information. This chapter will mainly focus on lessor-lessee relationship, terms and conditions of tenancy contract. This will be followed by a discussion on the comparison of output on owned and tenanted farms and finally we will discuss interlinkages in Indian land market.

5.1 Lessor-Lessee Linkages

Both neo-classical and Marxist literature take into account the nature of lessors, in order to explain the tenurial mode, rental share, etc. Lessors differ in risk taking behaviour, monopolistic practices, capital endowments and degree to which they are subject to supervision constraints. Capital market imperfections and indivisibilities are often invoked to account for the reverse phenomenon, namely small lessors and big lessees.

Empirical studies in India suggest that both traditional (big landlord, small tenant) and reverse (small lessors and big lessee) forms coexist on widely different scales in different regions. The issue of dominant tenant was first discussed by Dantwala (1959). He, with the help of available data relating to

Maharashtra and Gujarat, disproved the existing belief that those who lease in land are small farmers and those who lease out land are big landlords. Krishna Bharadwaj and P. K. Das (1975) have argued that the exploitation within tenurial systems may be better comprehended when analysed in terms of the relative economic strength of the different sectors of peasantry rather than in terms of standard categorisation of landlord and tenant. To elucidate this argument, they analyse data from villages of Orissa - the lessee-lessor patterns in terms of who leases from whom. They found that both landlords and tenants were widely differentiated in terms of the size of their ownership/operational holdings. This showed that not all the landlords were economically powerful nor all tenants economically vulnerable. Debidas Ray (1978) also shows in his study pertaining to West Bengal that both lessor-lessee classes are highly heterogeneous.

In recent years, there is substantial literature which points out that leasing in of some amount of land is a characteristic feature of rich and enterprising farmers. It is profitable to lease in some land to supplement or consolidate the fragments owned by him. At the same time, increasing size of farm does not come under ceiling law because this law does not apply to lease-in-land. V. M. Rao (1974) on the basis of data

pertainning to some villages of western India and M. V. Nadkarni (1976) on the basis of data from six villages of Marathwada arrived at similar conclusions about new patterns in tenancy relationships.

Fragmentation of holdings and leaving of cultivation by small farmers - according to Rao (1974) - were the main factors giving rise to leasing out land rather than accumulation of land in the hands of a few wealthy landlords. This heterogeneity within the class of lessee suggests that it is difficult to characterise the entire class having a weak bargaining power. Given the concentration of land almost at par with lessee and lessor, the author concludes that the lease market could not be described as monopolistic, at the same time, he was cautious not to characterise it as competitive either.

On the other hand, Nadkarni's (1976) study focuses on the emergence of a class of dominant exploiting tenants. The results show that rich farmers are entering into formal or informal lease agreements with poor landlords. These dominant tenants are making use of the tenancy law (which is supposed to protect the interests of tenants) to strengthen their own position. The author points out the drawbacks in the land policy wherein, there is a limit set on owned land but there is none on the leased in land. Thus, leasing in of land by rich farmers is proving to be

an effective and risk-free method for them to become even richer. This process avoids the conspicuousness of amassing land through purchase (Bardhan : 1970; Vyas : 1970 and Raj : 1970).

It is also observed that landlords have shown great skill to circumvent the tenancy and ceiling laws. One of the methods which they have employed is to surrender the land to the erstwhile tenant under tenancy laws, in which the ownership is in the name of the tenant but the control is still kept with the landlord. In other cases, a few landlords having land in two villages, transferred the land of one village in the name of the tenant who was residing in the other village without any explicit knowledge of the tenant and vice-versa (PSIPA : 1988).

The inter-state variations in the types of tenancy in India were examined by Laxminarayan and Tyagi (1977). They have observed the changes in the form and extent of tenancy. While analysing the inter-state variations in the types of tenancy, they had highlighted the types of lessor-lessee relationship. Based on the analysis of data of the N.S.S. (26th round) the authors have observed that about 38 per cent of the tenant cultivators belong to the bigger size groups (4 hectares and above). The practice of leasing out land was as much prevalent among the large land holders as among the small holders. Thus,

out of the total area leased out, 31 per cent was accounted for by small size groups (2 hectares and below) while 56 per cent was claimed by the big sized farms. Regarding the significant changes in the type of tenancies particularly between the fixed rent and sharecropping tenancies, the author's observation reveals that cash rent tenancy is becoming less and less important and is being replaced by crop sharing tenancy.

In Uttar Pradesh, it is found that big and medium farmers are leasing out land to small tenants. Kripa Shankar's (1980, 86) results show that more than three-fourths of the lease units (78 per cent) and a slightly lower portion of leased area (73 per cent) was held by tenants who either have no land of their own or owned less than one acre. Whereas, it was the big and medium landlords who were leasing out the land and they account for three fourths of the land. Ravi Srivastava (1989) has also observed the same trend regarding U.P. The landlord, rich farmers and rich peasants dominate as lessors both in terms of area and numbers (around 80 per cent). The workers, the poor and middle peasantry constitute the main tenant class. The study does not show widespread leasing-in by dominant households. But there is considerable differentiation among lessees who have differences in their endowments.

The landlords prefer small tenants because they are economically weak and more amenable to pressure and control. Being relatively poorer they work hard to maximise the yield in order to eke out a living, whereas a large owner may neglect the lease-in plot (Bharadwaj and Das : 1975; Kripa Shankar : 1980). Another reason for this preference is that sharecropping is illegal in a number of states and they do not want a tenant who has the courage to claim the ownership rights of that land (Stern and Bliss : 1982; Kripa Shankar : 1986; PSIPA : 1988).

No neat model on the lines of differential risk aversion or varying bargaining power of individual lessors and lessees seems to have emerged.¹ The main reasons for advances towards land leasing can be grouped in the following categories (i) resource adjustments; (ii) interlocking of factor markets; (iii) alternative earning opportunities; (iv) traditional absentee landlords and traditionally non-cultivating caste; (v) fragmentation (i.e. distance of plots from the village); (vi) to avoid tenancy legislation etc.; and (vii) social and kinship ties (Jodha : 1984; Shankar : 1986; PSIPA : 1988; Srivastava : 1989).

In sum, the lessor-lessee relationship emerging on the Indian scene is no more governed by the traditional

rule. With the emergence of the green revolution, the small farmers find it more profitable to lease out land to big tenants. But majority of landlords still prefer small tenants in order to avoid tenancy legislation. No clear-cut model on the lines of risk sharing has emerged.

5.2 Terms and Conditions of Tenancy Contract

A tenancy contract is generally decided on the basis of the size of leased plot, duration of the contract, cost sharing and crop sharing. The terms and conditions differ from region to region, from village to village and sometimes within the village. In a number of share tenancy models, landlords optimise by choosing the size of leased plot (Johnson : 1950; Cheung : 1969; Braverman and Stiglitz : 1982). Control over the size of plot gives the landowner an indirect instrument for enforcing the derived intensity of cultivation. The tenants generally lease in from a single landlord and landlords can induce tenants to work harder by shortening the period of lease.

In the Indian context, tenancy reforms are considered to have promoted insecurity (Appu : 1975; N.C.A.: 1976; Shankar : 1980). The landlords prefer to lease out land in small parcels because the output obtainable would be higher as tenant's families work harder on

smaller farms (Bharadwaj and Das : 1975). It is also observed that the landlords have shortened the period of lease in the wake of the green revolution in order to capitalise productivity gains. At the same time, a large number of households lease in land from more than one landlord (Bharadwaj and Das : 1975; Bardhan and Rudra : 1980; Ravi Srivastava : 1989).

The dominant mode of tenancy existing in India is share tenancy. The output is generally shared on 50:50 basis with little variation across regions. The fixed rent tenancy is also increasing over a period of time. A number of authors have confirmed these trends. Krishna Bharadwaj and Das's (1975) study found share-cropping to be the predominant mode of leasing with the share of old tenant hovering around 50 per cent. In the case of the new tenant, the output is shared on 60:40 basis, the larger part accruing to the landlord. In the irrigated area, the tenant's share of the high yielding summer paddy was 75 per cent of the gross output. The study also reveals that with the introduction of canal irrigation and high yielding variety seeds, the tenurial system has changed over from sharecropping to fixed rent tenancy. In dry areas, the rent varied between 1.5 to 2 quintals per acre but in irrigated areas, the rent was between 5.5 and 8 quintals, the recent leases paying a

higher rent. The cash payments ranged from Rs. 500 to Rs. 1000/-. There were variations in the share of by-products. Sometimes the entire share was taken either by the landlord or the tenants and in some cases, it is distributed equally. In majority of the cases, there was no sharing of cost inputs by the landlords.

The widespread prevalence of cost sharing arrangements as a part of the tenancy contract is a recent phenomenon in Indian agriculture. Bardhan and Rudra (1980) found that in West Bengal and Uttar Pradesh two-thirds of the cases reported cost sharing by the landlord, whereas in Bihar and Orissa, around 50 per cent of landlords participated in the cost sharing. In the traditional arrangements, the tenant used to provide his labour service and his own bullocks and plough; the landlords used to pay for land tax and irrigation costs. Under new arrangements (majority of the cases in Bihar, Orissa and U.P.; around 50 per cent cases in West Bengal) the tenants bear all the cost of seeds and manure. Equal cost sharing with the landlord is much more common in the case of chemical fertilizers. Khasnabis and Chakravarty's (1982) results also confirm a cost sharing arrangement for West Bengal. They found that, that around 50 per cent cases, there was cost participation by the landlord. The tenant always bears the entire labour cost. The sharing of

cost is confined to material inputs. Bardhan and Rudra study also shows the predominance of share tenancy. In all the four states, around 90 per cent cases reported sharecropping. More than two-thirds of the cases reported 50:50 share. The tenants share were less than fifty per cent in 19 per cent of the cases in West Bengal, 12 per cent of the cases in Bihar and 16 per cent of the cases in Uttar Pradesh. In 21 per cent of the cases in Orissa and 14 per cent of the cases in West Bengal, the tenants share were more than 50 per cent. Khasnabis and Chakravarty's results shows that in majority of the cases (84 per cent), sharecropping was the principal form of tenancy. There existed a marked resilience of crop sharing arrangements on a 50:50 division of the produce. Three-fourth (77 per cent) of the cases of share tenancy reported a 50 per cent share of the crops for the tenant. In the rest of the cases, the share of the tenant is more than 50 per cent. Thus, this study confirms the observation made by Bardhan and Rudra concerning West Bengal State.

As discussed above, in Uttar Pradesh, the principal form of tenancy is share tenancy and of late, the landlords have started sharing input costs. The phenomenon is confirmed by the study of Stern and Bliss (1982) and Srivastava (1989). Stern and Bliss results

show that tenancy in Palanpur was almost entirely crop sharing and the rental share was almost everywhere 50:50. The arrangements for supervision and enforcement in Palanpur lie somewhere between the close control of the Cheung's description and the free decision for the tenant in the so-called Marshallian model. The balance, however, lies nearer to Cheung. Srivastava's (1989) study suggests that in a backward area (Mangalpur), the crop sharing was based on half share. In the intermediate area (Alipurjeeta) in most of the cases (95 per cent), output was shared on equal basis and so were the by-products but in certain cases, the share of landlord is higher than 50 per cent. In advanced areas (Chaukra), the fixed rent tenancy was increasing over the time. The modal cost and crop shares have shifted upwards and this has taken place along side increasing landlord control over production or leased holdings. The modal crop share in this area was three-fourths. The traditional half share has been relegated. The author has observed that in a backward area, the landlord does not share the cost of inputs, whereas, in an intermediate area, the landlord shares half of the cost of seeds, fertilizer and irrigation. In advanced areas, cost sharing involves fertilizer and irrigation costs. But with the changes in rental arrangements ($3/4$ share) landlords have tended

to provide a corresponding proportion of these input costs. Still more participation in the cost arrangement is desirable from the landlords.

In Rohtas district of Bihar, four types of tenancy arrangements were witnessed. The first system was locally called Bhaibula. In this system, a landlord leased out his land for 3 years for a fixed amount which is payable to the tenant after the expiry of the contract. This system is just like putting one's land on mortgage. The second system is locally known as Batai or sharecropping. Under this system, a landlord gets two-thirds of the share of output but bears one-third of the total cost. The lease is generally for one year. The third type is similar to the second and is the most prevalent one. But under this system landlord gets only 50 per cent of the produce and does not share any cost of cultivation. The fourth type of tenancy is the fixed rent tenancy. The first system covered 7 per cent of the cases and 6 per cent area under lease. Second and third types together constituted 74 per cent of the cases and 66 per cent area. The remaining 19 per cent cases came under fixed rent tenancy and the area under this system was 28 per cent of the total leased area (Tripathy : 1985).

In a study of 350 cultivators of the Malwa Region in Madhya Pradesh, comprising ten districts, Wadhwa has

analysed the nature of sharecropping or batai cultivation. The inquiry is in respect of two years, 1950-51 and 1959-60 and extends to the zamindari and the jagirdari types of tenure as well as to the raiyyatwari types. The results show that the landlords share half cost of the seeds only and rest of the costs are met by the tenant. Produce is shared on half basis. The study contends that over a period of time, the incidence of sharecropping has increased.

The above discussion clearly shows that tenancy relations are still dominated by traditional share tenancy especially in agriculturally backward areas. Cost sharing arrangement as a part of the tenancy contract is still a new phenomenon in the developing areas. Now the landlord participates in the cost sharing, but still in a number of cases, he is a rent receiver. The capitalist relation have still not penetrated fully in the tenancy arrangements. All these studies cover only backward and developing areas and do not reflect tenancy arrangements in agriculturally advanced states like Punjab and Haryana.

Punjab State Institute of Public Administration's report (1988) throws some light on the penetration of capitalist relations in the agriculturally advanced state of Haryana. Overall the dominant form of tenancy is crop sharing (66 per cent) and 34 per cent of the cases involve fixed rent tenancy. The fixed rent varied from

Rs. 150 to 2000 and above. The following types of share tenancy were found in Haryana:

1) In Bhiwani district two types of crop sharing are practised. First, the output is equally divided between the landowner and sharecropper. The cost of crops is equally shared by the tenant and the landowners. But the labour service is entirely borne by the tenant.

2) In the second type of sharecropping the tenants get two-third of the produce but the entire cost is met by the tenant except the irrigation cost which is equally shared.

In Hissar district sharecropping is the predominant mode of leasing in land. However, there is a wide diversity in share tenancy. The first two types are the same as in the case of Bhiwani district. In the third type of tenancy, landowners have three fourth share and the tenants get one fourth share. All the cost of ploughing and sowing is met by the landowners and the remaining cost is shared by both in proportion to their shares in the produce. The fourth type of sharecropping provides for 60:40 share for landowners and tenants respectively. The total cost of seeds and ploughing is met by the tenant. The water cost is equally divided by both. The remaining inputs cost are in accordance with their share in the produce. In the fifth type of sharecropping, the

landowner has two-thirds share and tenant gets one-third. Cost of seeds and labour is met by the tenant. The other costs are proportionately divided by them. In the sixth type of sharecropping, the tenant has three-fourths share in the produce. All the expenditure is met by the tenant alone.

In Karnal district the predominant mode is sharecropping with equal sharing of input cost except the labour of tenant. But, still another type of contrast was identified in this district which is locally known as Bonda system. Under this system, the terms of payment vary between wheat and paddy crops. In the case of wheat, all the cost is met by the landowners. The sharecropper has to invest his labour in spraying the pesticides and irrigating the crop. In exchange of his labour, he gets 1/20th of the share but also meets 20 per cent of the cost of harvesting. In the case of paddy, the landowners meet all the cost of inputs except the cost of pesticides and harvesting, the share of the tenant is one-fifth of the produce.

In Sirsa district the nature of sharecropping is not different from the already discussed types of share tenancy. However, two predominant trends are equal sharing basis and four-fifth share to landowner. In the latter case, the landowner gives the land to the tenant

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after sowing to look after the crops. All the cost is met by the landowner except the labour cost.

Though there is no bar on leasing out land according to tenancy legislation in Haryana, yet the nature of tenancy has undergone change in such a manner as to keep the land of the landowners free from any kind of legislation. Thus, in the final consequences of legislation, the tenants have become more insecure vis-a-vis the landowners. But, at the same time, the nature of tenancy has not become altogether insecurity ridden for the tenants.

Thus, we have seen that in India, sharecropping emerged as the principal mode of tenancy. In backward areas, share tenancy is based on half share basis. The landlord's role is still passive and land rent forms the main source of his income. Landlord's participation in input cost is totally absent. One point which has clearly emerged from these studies relating to tenancy contracts of all states is that the payment of land tax, irrigation cost and electricity bill is always paid by the landlord in order to safeguard his ownership rights. With these three payments, it is easy to prove that he is a self-cultivator. Capitalist relation in the production process is completely missing. In agriculturally advanced areas also, sharecropping occupies the main place but lots of variation exists in the division of the share. The landlord participates in input cost and supervision is on the

rise. As a consequence of it, the share of landlords is moving upward. The landlord prefers to lease out land in small parcels and has shortened the duration of lease in order to capitalise on the productivity gains. It is also seen that in the Green Revolution areas, the fixed rent tenancy cases are gaining strength.

5.3 A Comparison of Some Indices of Agricultural Performance on Owned and Leased Land

Households lease land under various constraints and further to different strategies. This is reflected in differences in labour use, cropping pattern and productivity across sections and between owned and leased land. A number of empirical studies have been carried out in order to assess the validity of Marshallian premises. Sen (1981) has shown that the results of such comparisons may differ depending on (1) whether these comparisons are made only for the households cultivating both leased and owned land or for all households; and (2) the nature of the specific groups in terms of landownership or similar criteria for whom the tests are carried out.

Most tests of the disincentive argument simply compare output on share cropped and owned farms. Rudra (1973) and Chandra (1974) have reported that there are no differences between land productivity of owners and sharecroppers after comparing output on owned and share-

cropped farms. Bell (1977) and Hossain (1978) have adopted a different methodology and compared outputs per hectare on sharecropped and owned parts of each sharecroppers holding and have found evidence confirming the disincentive effect. It is interesting to note that Hossain obtains this result despite the fact that there were no significant differences on simple comparison of owners and sharecroppers.

Abhijit Sen (1981) chose the following hypotheses for West Bengal and Punjab in order to check the disincentive effect.

H(i) Farms with some crop sharing have lower labour input and output per hectare than farms with no crop sharing.

H(ii) In the universe of all farms, labour input and output per hectare decline with increase in the ratio of sharecropped to total area when farm size is held constant.

H(iii) Farms with some crop sharing have lower labour input and output per hectare than small owner farms.

H(iv) In the universe of farms with some crop sharing, labour input and output per hectare decline with increase in the ratio of sharecropped to total area when farm size is held constant.

The results show that hypothesis (i) is rejected

in all the cases while hypothesis (iv) is confirmed for both output and labour inputs in both the samples. H(i) is the usual test carried out while H(iv) is a variant of comparisons of productivity and labour input on the owned and sharecropped parts of tenant farms. H(iv) is confirmed for both output and labour input for West Bengal but only for labour input in Punjab. H(iv) is rejected altogether.

Further, the author has worked out sizewise break down of productivity on owner and tenants farms; separately for owned and sharecropped land for West Bengal. For sharecroppers, there exists a very significant difference in the productivity on owned and sharecropped land. Further, disaggregation shows that this caused only in very small part by differences in crop specific yields and is due largely to higher cropping intensities and to a more lucrative cropping pattern on owned land. The disincentive effect arises precisely in the labour intensive components which also under lie the size-productivity relationship. There is also a significant effect of farm size on land productivity in the case of owners, no such tendency exists for sharecroppers. In fact, productivity on sharecropped land is very close to that on the larger owner farms.

It is observed that in Uttar Pradesh, the output

on sharecropped land is very close to that on the owner farms and weak disincentive effect is seen in this state (Shankar : 1980; Stern & Bliss : 1982 and Srivastava : 1989). Shankar (1980) adopting the methodology of comparing average yield on owned and leased in land of tenant showed that the differences were insignificant. The yield of wheat and paddy, two important crops, was almost 92 per cent of that on owned land. This shows that the lessees are guided by the consideration of maximising the yield on leased land and share tenancy does not act as a deterrent in raising productivity especially in the case of major food crops. The differences in productivity arise because tenants are using more inputs like manure, fertilizer and irrigation on owned land. In the case of cash crops, the productivity is very high on owned land because these crops require more intensive use of labour and other inputs.

Stern and Bliss's (1982) results closely resemble to that of Shankar. The study has adopted three different ways in order to compare productivity per acre on tenancy farms and non-tenancy farms. First, they have analysed output per acre for a household and for a given crop (wheat) on tenanted and non-tenanted farms. Secondly, by using regression analysis, they have determined the value of output per acre generated by a household, including the proportion of cultivated land under tenancy

as an explanatory variable. Finally, they look at the contribution of individual plots and try to determine whether cultivation on a tenanted plot is significantly different from an owner cultivated plot.

Firstly, they find that the difference between yields for wheat on the two types of land is insignificant, when we compare output per acre for those households who have either tenanted or owned the land but not both; yet on the other hand when they make the comparison between output per acre on the two types of land for households cultivating both, they find that the difference is significant, with yield on tenanted land being higher. Secondly, the proportion of land under tenancy is never significant as an explanatory variable and average output per acre on a tenanted plot is lower than for a non-tenanted plot but the difference is insignificant. Further, input levels are lower on tenanted plots and significant differences only arise in the case of fertilizer use at the time of sowing.

Ravi Srivastava's (1989) study does not confirm reduced labour and other input application on leased holdings. The only significant differences exist in Chaukra village and they are in the reverse direction : labour use on leased holding is higher and this is particularly true for workers and poor peasants. In Mangalpur, there exists a differential of smaller

magnitude in fertilizer use between owned and leased holdings. Out of three villages, results pertaining to two villages - Chaukra and Alipurjeeta - do not support evidence to confirm systematic differentials in productivity in favour of owned land. In Mangalpur, however, such differences do appear to be systematic. It seems, therefore, that some disincentive effect does operate in Mangalpur which manifests itself in a smaller allocation of scarce inputs and lower productivity on leased land.

The general picture which emerges from these studies pertaining to Uttar Pradesh shows that tenancy does not make much difference to output per acre or to the levels of inputs. The evidence is contrary to the idea that tenancy provides an important disincentive to productivity.

In order to see the efficiency of different tenures, not only comparison of output is important, but other factors such as labour use, capital use as well as capital-labour ratio and input-output ratio are equally important. Tripathy's (1985) study incorporates all these measures and shows that, in Bihar State, the disincentive effect operates. A comparison of the labour use between the ownership farms and tenancy farms shows that while the number of labour days per hectare in

almost on all size groups is higher on ownership farms, the extent of the differences is observed to be higher on the smaller holdings. The study also shows that ownership farms have used larger amounts of capital per hectare for all the crops. However, the differences in the amount used is larger in the smaller size groups, it is smaller in the large size groups. The extent of differences in the amount of capital use between the two groups of farms appears to be greater in the case of manures, fertilizers and pesticides.

Further, productivity per hectare for all crops (paddy, wheat etc.) is higher on owner farms. The differences in productivity of paddy crop are not significant.² But for wheat crop, the differences are quite significant.³

Moreover, the labour productivity and capital-labour ratios are observed to be higher on the ownership farms with the exception of paddy, where labour productivity was lower during the year 1979-80. Also, the input-output ratios in the ownership group of farms are lower than their tenant counterparts.

The results also reveal that the productivity per hectare does not differ markedly between the fixed rent and share tenancy and this has led the author to conclude that the prevalence of one or the other form of tenancy

is more a matter of mutual convenience of the parties undergoing lease agreement than their economic efficiency consideration.

The above discussion leads us to conclude that the disincentive effect does exist in Indian agriculture especially when we compare output per acre on owned farm and tenanted farms but it fades away when we compare productivity of owned and leased-in land of the tenant. Other inputs like seeds, manure, fertilizer etc. are also observed to be higher on ownership farms.

5.4 Interlocking of Market and Share Tenancy

Interlocking has been the object of theoretical work on rural economics in recent years (Bhaduri : 1973; Bardhan : 1980; Braverman & Srinivasan : 1981; Braverman & Stiglitz : 1982; and Mitra : 1983). The literature generally deals with a landlord and a tenant, when the tenant is contractually bound to borrow exclusively from the landlord. In other situation, labourer also borrows from landowner. Apart from this, other arrangements have also been recognised. Such as the tenant who is financed by the traders to whom he will sell his crops, but this has received little attention. In contrast to this outpouring of three, there have been very few detailed empirical investigations of the nature and extent of interlocking.

In the view of interlinked markets, the extent and character of exploitation and its dynamic effects may not be fully grasped, if the lease market is studied in isolation. The dominant parties quite enhance their exploitative hold by linking up several transactions directly, without the intermediary of open markets (Bharadwaj & Das : 1975). In the particular cases of Orissa villages, such a tie existed between the lease and labour tenants especially the poorer among them who have to commit their labour to the landlord as a party of the lease contract. According to Bhaduri (1973), interlinked arrangements are a manifestation of the semi-feudal mode of production, in which usury is the dominant form of exploitation. No such linkages are observed in their study. There were a few cases in which the landlord had advanced loans to the tenant, but without charging any interest rate.

Bardhan and Rudra's (1980) study repudates Bhaduri's hypothesis. They argue that a major factor of the tenant's dependence on the landlord works through the former's indebtedness to the latter. This is not unexpected in a situation of inadequately developed credit market, while a poor sharecropper may have a few assets acceptable as collateral in the outside credit market, his landlord would accept the tenancy contract itself as

collateral. The landlord has the incentive to supply production credit and also, he is in the best position to enforce repayments at the time of harvest sharing.

The results show that the landlord is undoubtedly an important though not the only source of credit to his tenants. About half of all the tenants reported taking consumption loans from their landlords. In West Bengal, nearly half of these consumption loans are interest free; however, the proportion is much lower in the other states. In the sample of 109 villages reporting tenancy in West Bengal, not a single respondent reported money-lending as a principal occupation of the landlords. It is important to note from their study that in 43 per cent of the cases in West Bengal, 59 per cent of the cases in Orissa, 35 per cent of the cases in Uttar Pradesh and 29.90 of the cases in Bihar the landlords have given advances to the tenant to meet his production needs of seeds, fertilizers, etc. Most of these loans were overtly interest free. Thus, it is seen that landlord actively participates in the production process and does invest, which is contrary to Bhaduri's observation. They also observed that, in all the four states, a relatively small proportion of all tenants renders unpaid or underpaid services to the landlord.

Khasnabis and Chakravarty's (1982) study does

not show strong interlinkages between tenancy and credit contract. The credit market was found to be dominated by the non-landlord loan givers. Stern and Bliss (1982) have come to opposite results. Their results show that credit goes from tenant to landlord. The tenant finances the purchase of inputs in the beginning and landlords share is deducted at the time of harvest. A good credit position, therefore, is a characteristic of an attractive tenant. But apart from this implicit linkage in the share contract, there are not, in general, any other simultaneous contracts involved in the land market.

A similar observation is also made by Jodha (1984). His study shows that interlinked transactions with tenancy are fairly important in Sholapur district (Maharashtra), followed by Mahbubnagar district (Andhra Pradesh), but are negligible in Akola district (Maharashtra). The importance of different transactions differ from zone to zone. In Sholapur villages, the land lease and the credit transactions are primarily linked. In these villages, contrary to the conventional pattern, the tenants give loans to the landowners to get the land on lease. However, where old debts exist, the reverse is true, and in such cases lease of land, credit and labour supply, through tied or untied labour, is sometimes simultaneously involved. In Mahbubnagar district villages, land transactions are linked to a

variety of miscellaneous transactions. Most of these concern off-farm activities, procurement of inputs of scarce supplies and distribution of irrigation water. Links between land lease and labour do occur but are not very common.

In the literature of interlinked markets, much of the emphasis has been placed on links between tenancy and credit. But in the recent years, a link between tenancy and marketing has also been observed in rural areas. This trend is indicated by the studies of Jodha (1984) and Bell and Srinivasan (1989). Jodha's (1984) study reveals that in Akola district villages, a few interlinked transactions concern primarily land lease, credit and marketing. Small farmers with a limited holding capacity sometimes have to use large farmers as informal intermediaries to do their cotton marketing, a practice that leads to interlinked tenancy credit and market transaction.

Bell and Srinivasan's (1989) study covers three states namely, Punjab, Bihar and Andhra Pradesh. The results show that a higher proportion (43 per cent) of borrowing households in Punjab have interlinked credit transactions than in Andhra (38 per cent) or Bihar (36 per cent). Moreover, this difference is reinforced by the fact that Punjabi households have a higher participation rate in the private segment of credit market 47

per cent as against 23 per cent and 42 per cent respectively for Andhra and Bihar. Secondly, credit tenancy interlinkages are more prevalent in Bihar than Punjab, because Bihar's landlords give small plots of land to agricultural labour household to secure the latter's labour on a first call basis. The number of tenants who borrow from their landlords is somewhat larger in Punjab than in Bihar. In all the three states, fewer than 60 per cent of all owner tenant and pure tenants borrow from any private source. Of the total borrowers, only 14 per cent and 20 per cent do so from their landlords in Punjab and Bihar respectively, and a mere 6 per cent in Andhra Pradesh. These findings are somewhat at odds with the notion that credit and tenancy contracts are normally interlinked with usury in mind.

The form of interlinking in Bihar is credit with labour, whereas in Punjab it is credit with the marketing of agricultural commodities. This has received little attention in the literature. In Andhra Pradesh, these two forms of interlinking appear to be present in equal force, which is consistent with the fact that some of Andhra's sub-regions resemble Bihar, while others more closely resemble Punjab.

These results concerning the importance of credit marketing interlinkages should not be surprising. A

trader's or commission agent's time is especially valuable at harvest, so if he can secure clients and business in advance by advancing tied loans such arrangements will be profitable. In any event, these arguments would be irrelevant if there were not extensive commercialisation for then there would be little business for traders and commission agents, as in the case for most of Bihar.

Summary

The above discussion suggests that the lessor-lessee relationship has undergone change and both traditional (big landlord and small tenant) and reverse (small landlord, big tenant) forms coexist on widely different scales. Duration of lease contract is generally for one year and seasonal lease contracts are gaining strength. Most of the landlords prefer to lease out land in small parcels in order to have productivity gains because tenant families work harder on smaller farms. The share of the landlord is shifting upwards. The main reason for this is that the landlord is participating equally in the decisions of the production process and also sharing the input costs. As a result, the supervision is also on the rise. The participation of the landlord in cost sharing and higher supervision has resulted in a higher output on the tenanted farms but does not completely eliminate the disincentive effect which is

associated with lower productivity on leased farms. There are interlinkages in the land lease market but the findings are sharply at odds with the notion that credit and tenancy markets are interlinked with usury in mind. There has been no neat confirmation of Bhaduri's assertions. Most of the studies have, in fact, refuted his results. The other situation where markets get interlinked is between tenancy credit and marketing and this is true especially in the agriculturally advanced areas. But this issue has got very little attention in the tenancy literature.

Notes

1. Rao (1971) finds that the existence of uncertainty in agricultural production has an important role in determining the form of tenancy. According to his observation, crop sharing tenancy is predominant in areas of relative economic certainty where the scope for decision is limited, while fixed rent tenancy is more important in areas of relative economic uncertainty, there is considerable scope for decision making.
2. Rs. 254 and Rs. 53 for Zone I and II for year 1978-79. For year 1979-80 the figures are Rs. 84 and 60 only.
3. Rs. 676 and Rs. 679 for Zone I & II for year 1978-79 and it changed to Rs. 791 and Rs. 581 in 1979-80.

CHAPTER VI

SUMMARY AND CONCLUSIONS

The impact of the colonial policies on the agrarian structure of India was quite detrimental. A structural change was perceived on the eve of independence both in terms of agrarian structure and to some extent in production relations. The policies envisaged in the initial years of independence had a fair distributive potential but both the formulation and implementation ran into bad weather. This has been documented by most of the analysts of land reforms. The agrarian change introduced had a radical element in its philosophy but a revisionist canvass in its implementation.

6.1 Indian Agrarian Scene

Indian agrarian structure is a dynamic synthesis of socio-historical trends. While examining the backdrop and need for reforms, we analysed the emergence of agrarian structure during British regime. The agrarian structure was broadly synthesized in terms of system of land-ownership, nature of agrarian classes in general, and the role of social structure. British administration broadly operated through two tenurial systems viz. the Zamindari and ryotwari systems. Though these differed in their

functional definitions, they operated on almost similar platforms due to the prevailing land distribution and production relations. As a consequence of this, the landed property was vested with big landowners and established a landed proprietary. These owners of large property were not the managers and hence a large number of inefficient tenants emerged giving rise to landlord-tenant nexus. As a result of this, land tenurial system gave rise to mainly three economic classes namely, landlord, peasant or farmers and agricultural labourers. The peasants or farmers group was analytically subdivided into three classes : rich, middle and poor peasants.

The development of agrarian structure got the fertile ground of the hierarchical social system which propelled the structural retrogression of the society and perpetuated it. Agrarian social structure as it developed under British rule presented production conditions with wide ranging inequalities and multifarious exploitation of the mass of small cultivators. The land relations were also characterised by corresponding caste relationships.

Thus, the agrarian structure which developed under Britishers tended to perpetuate a backward and medieval type of agriculture which is purported to have kept the Indian agrarian economy in a state of stagnation

for decades and this system was responsible to be the main obstacle in the path of national economic regeneration. Daniel Thorner has rightly observed : "When the British withdrew from India in 1947, they left the country with perhaps the world's most refractory land problem." (1962, p.57).

6.2 Reforms and their Effectiveness

Above background was utilised for the discussion leading to the formulation of policy of land reform and its effectiveness. We have seen that immediately after independence, the pressing political and agrarian reasons made Government of India to go through the question of land reforms. The principal objective of land reforms policy was to create peasant proprietorship and equality among the cultivating classes in the rural area. After three decades of experience, it can be seen that the changes in the agrarian structure have not been significant in real terms, whereas, legislation of ceiling on land holdings seems to have contributed both directly and indirectly to some reduction in inequality in ownership. Such reduction, however, is not visible in operational holdings. The tenancy legislations and tenancy reforms seem to have contributed to the increase in inequality in the distribution of operated area through resumption of land by big landowners. Moreover, the

scale neutrality of the measures of inequality and bunchiness of the erstwhile landed class in the lower holding sizes make the analysis difficult.

Further, the tenancy legislation has made the position of tenant very insecure. There is a complete ban on tenancy in a number of states. As a result, millions of tenants have been evicted under the pretext of self-cultivation and voluntary surrenders. Thus, the policy has driven the tenancy underground. The concealed tenancy developed as a result, was more non-institutional. The nature of tenancy has undergone change in such a manner as to keep the land of the landowner free from any kind of legislation. Tenants became more insecure vis-a-vis the landowners wherever the tenants belonged to poor peasant category. Therefore, the experience shows that complete banning of leasing of land was neither feasible nor necessarily desirable and to a large extent ineffective in spirit. A number of studies have disproved the earlier belief that it was always the big landowner who leased out land and land was leased in by small tenants. The results of these studies showed the co-existence of both small and big tenants.

Moreover, the issues like consolidation of land holdings and cooperatives did not get favourable nod from the planners. These two objectives have been neglected

and got little attention. As a result of this, the progress under these was quite disappointing. It should be recognised that consolidation of holding was an important component of land reform policy, and without its achievement, the other components like imposition of ceilings and regulation of tenancy are difficult to implement. Thus, the components of land reform policy, which were interrelated, actually got treated as disjoint and implemented in isolation. This resulted in imbalance and waste of efforts and funds.

6.3 Tenancy Debate

The problem of agricultural tenancy has attracted a great deal of attention from social scientists in the context of land reforms. Questions were raised concerning the relative efficiency of : owner operated; tenanted and capitalist farms; as well as the comparative performance of different tenurial systems. The first issue emerging in the literature and on which a large number of studies are available, is the "tenant efficiency" debate. The classical writers were the first, who initiated this debate. They regarded share tenancy as an inefficient system on the ground that tenant would not use input to the optimal level because of inadequate incentives and productivity of share tenanted land would be lower. As a result, they favoured fixed rent tenancy and long term

lease contracts. On the other hand, neo-classical writers were reluctant to accept the implications of the inefficient resource use under a share contract. They argued that the landlord can enforce the desired intensity of cultivation through (i) control over the rental share, (ii) size and number of parcels to lease out and (iii) specification of labour intensity and (iv) short duration of the lease contract.

The other issue which naturally linked to the above is about the inefficiency of share tenancy and its continuation and persistence overtime despite the drawback. Various explanations have been put forward by economists to explain the reasons for the existence of sharecropping. Some studies have viewed share tenancy in the land lease market as a partial response to the inadequacies and imperfections in other markets. Risky labour market, adjustment to uncertainties, cost of monitoring of labour, imperfect marketability of family labour and of draught animal services - all these factors contribute to the existence and indeed the historical persistence of the institution of sharecropping.

While earlier literature is concerned with efficiency or inefficiency of share tenancy, various explanations advanced for its existence; the new literature has enlarged the field of enquiry to incorporate questions

like what factors influence the incidence of sharecropping and why does sharecropping co-exist with other leasing systems. Screen test models help us to explain the co-existence of sharecropping with other systems. In these models, a contract is awarded to a tenant according to his ability and wealth level.

The common theme that emerged from the tenancy debate is that sharecropping is a diverse phenomenon and explanations of existence of sharecropping vary in nature. The main consensus, however, is that sharecropping is a response to uncertainty and asymmetries in information. One may also view it as a response to different market imperfections - labour, credit and capital markets.

6.4 Fall-outs of the Reform Policy

In recent times, certain new issues have cropped up in tenancy literature. Most of the writers have been analysing the nature of interlinkages between credit market and tenancy and assessing the implications of these interlinkages. We have explored these themes and have analysed the nature of interlinkages and the factors that are instrumental for interlocking of markets and found that the following factors may influence the interlocking of markets - (i) there is an incentive problem because of the cost of monitoring and supervising efforts; (ii) the tenant has no past savings in the beginning of

production process and as a result he has to borrow from the landlord and (iii) there are imperfections in the capital market, therefore, the landlord and the tenant differ in their resource positions. While discussing various theories of interlocking of different markets with share tenancy, we have tried to highlight its resultant impact on the exploitation of tenant, on adoption of new technology; and resource use. Most of the theories are concerned only with the interlocking of credit and tenancy markets, although labour and production markets also get interlocked.

The main theme that emerges from the interlocking of markets is the exploitation of the weak tenant in all the models. Whereas, Bhaduri's analysis states it explicitly, in other models, it is implied. In neo-classical version, the landlord has monopoly power, he can vary the size of plot and through that he can bring the tenant to his reservation utility. The welfare of the tenant remains unchanged irrespective of the loan source. So in their policy prescription, no other measures except the confirmation of ownership right of land to the tenant will affect his welfare. The positive aspect of interlocking includes not only the saving on transaction and monitoring costs but also helps in a situation of moral hazard. There it internalises some of the externalities.

The tied loans to labour also help the landowner to overcome labour shortages in peak season. On the negative side, it weakens the bargaining power of tenant or labour class.

After discussing theoretical issues related to tenancy, we have examined these issues with the help of available empirical studies and the main focus was on the issues like lessor-lessee relationship, terms and conditions of tenancy contract, validation of Marshallian premises and interlinkages in the Indian land market. The analysis of lessor-lessee relationship showed that both traditional (big landowner and small tenant) and new form (small landowner and big tenants) co-existed on widely different scales in different regions. Many of the studies have substantiated the evidence to disprove the belief that those who lease in land are small farmers and who lease out land are absentee landlords. As a result, the tenant-landlord relationship shows that the landlord is a dominant exploiter and the tenant is at the receiving end. Of course, this has been true in the overwhelmingly large proportion of cases till recently and still continues to be largely true in certain pockets. But over a period of time, there emerged a new pattern where exploiter - exploited relationship is reversed. This new pattern consists of relatively better-off landed farmers leasing in land to increase their farm size; and

also increasing farm size through rented land does not get obstructed by any ceiling laws which do not apply to leased in land. The owners of small piece of land are forced to lease out land because it is uneconomic to cultivate them.

Further, share tenancy has emerged as the principal mode of tenancy in India. In the backward regions, share tenancy is based on half-share basis. The landlord's role is still passive and land rent forms the main source of his income. The landlord's participation in input cost is totally absent. Capitalist relations in the production process is simply missing. In the agriculturally advanced areas also, sharecropping occupies the main place but large variations exist in the division of the share. The landlord not only takes keen interest in the decision making but equally shares the input cost and supervises the production process. As a consequence of it, the share of the landlord is moving in the upward direction. New form of tenancy contracts not only ensure high profit for landlords but also safeguards his ownership rights. The landlord prefers to lease out land in small parcels and has shortened the duration of lease contract in order to capitalise on the productivity gains. It is also seen that in the green revolution areas, the

fixed tenancy is on the rise. It was observed that inefficiency in resource allocations associated with share tenancy was not found to be very significant but there were a few cases which have showed significant inefficiency associated with share tenancy. Where efficient resource allocations are observed, it is not clear that the efficiency is really due to the existence of an efficient enforcement mechanism. Most of the empirical studies designed to test alternative tenancy theories are limited mainly to crop yield comparisons. Only a few studies have used sufficient data on resource allocations, income distribution, and production technologies to allow a comprehensive test of the alternative theories. The disincentive effect does exist in Indian agriculture especially when one compares output per acre on owned farm and tenanted farms but it fades away when we compare productivity of owned and leased in land of the tenant. Other inputs like seeds, manure, fertilizer etc., are also observed to be higher on owner operated farms. The participation of the landlord in cost sharing and higher supervision has resulted in higher output on the tenanted farms but does not completely eliminate the disincentive effect which is associated with lower productivity on leased farms.

The literature on interlinkages in the land lease

market revealed that the findings are sharply divided with the notion that credit and tenancy markets are interlinked with usury as dominant criteria. There has been no substantial support for Bhaduri's assertion that in India, credit and tenancy markets are interlocked. Most of the studies have, in fact refuted his results. The other set of markets which get interlocked are credit and marketing. This is especially true in the agriculturally advanced areas. But this issue has got very little attention in the tenancy literature.

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