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## **Agrarian Structure under the New Economic Policy**

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The process of economic liberalisation being undertaken in the country also envisages some shift in the strategies and priorities of economic development so as to make farming commercialised, diversified and export oriented proposition, in addition to providing food security to the growing population. Obviously, this transformation would require some adjustments in the agrarian structure. The land being the prime factor, its ownership and distribution pattern not only directly influences its use pattern but also the investment and production decisions in agriculture. After Independence, the imperatives of increase in agricultural production and the egalitarian socio-economic order were the main guiding forces in taking a view on the desirable agrarian structure. Accordingly, a series of land reforms were initiated reflecting the state policy which clearly aimed at eliminating feudal relations in the agrarian society, encouraging owner tillers, reducing tenancy to almost inability conditions, consolidating fragmented holdings and imposing an upper ceiling on land holdings. These policy objectives served fairly well in transforming the traditional famine-affected agriculture to the modern technology based self-sufficient production system. However, this transformed system has yet to become competitive, growth oriented and sustainable. It is, therefore, worthwhile to examine whether the policy objectives embodied in the earlier land reform measures still continue to provide the broader structural framework conducive to the new dimensions of agricultural development as envisaged under the new economic policy.

Recently, there have been suggestions for a review on some of these land reforms and particularly for relaxation of restrictions on tenancy in agriculture. Rao and Gulati (1994) argued that freeing the lease market for land may contribute to equity as well as efficiency of resource use. Vyas (1994) suggested that the basic approach to land reforms should be to create as many as viable land holdings as possible, by physical expansion of the land holdings of the small farmers, by encouraging them to lease in land from other small landowners and by enabling them to have larger value added from agriculture. Krishnaswamy (1994) observed that the operative forces today are quite different. They tend to treat small holdings as uneconomic, and to convert the small farmers into a tenant farmer or an agricultural labourer.

The operations of land market, in its both the segments of sale and lease transactions, reveal the underlying dynamics of agricultural transformation and its implications towards the state policy on agricultural lands. Therefore, a close scrutiny of land sale and lease transactions may well reflect the direction and magnitude of the underlying changes taking place in the agrarian structure and the desirability of such changes under the new economic environment. This paper attempts to examine the pattern and implications of sale and lease transactions in agricultural lands in a highly developed and progressive area. The land market

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being highly localised, no generalisation can be drawn from such a case study of an area as this, yet the emerging observations would definitely be a pointer towards a more generalised approach required in this direction.

#### STUDY AREA AND DATA BASE

The study was carried out in Meerut district which is situated in the most fertile and highly developed western region of Uttar Pradesh State. The district has cent per cent villages electrified, about 96 per cent of its gross cropped area irrigated, fertiliser consumption (116.83 kg per ha) and cropping intensity (162.12 per cent) both much higher than the state average (being 85.63 kg per ha and 147.09 per cent respectively) during the year 1989-90 when the study was planned. The average size of holding in the district (1.18 ha) is also higher than that of the state (0.93 ha). The district has a relatively high degree of concentration of small scale industries as well. The degree of urbanisation is higher in the district (37 per cent urban population) than the state average (20 per cent urban population). The yield levels in the district are also quite higher than the state averages. For example, the average yields of major crops of rice, wheat, gram and sugarcane were 1,962, 3,222, 1,432 and 61,528 kg per ha respectively in the district as against the respective averages of 1,747, 2,047, 743 and 55,312 kg per ha for the state during the year 1989-90.

A two-state stratified random sampling was followed, where each of the total four tehsils of the district was treated as separate strata. From each tehsil, ten patwari circles were selected randomly at the first stage. Then at the second stage, ten cases of land sale and six cases of land lease were selected randomly from each patwari circle. Each sale case consisted of one seller and the respective buyer, and each lease case consisted of one lessor and the respective lessee. Thus a total of 400 sellers, 400 buyers, 240 lessors and 240 lessees were randomly sampled and interviewed for the collection of data relating to their sale/lease transactions in agricultural lands made during the year 1991 (Mani, 1993).

#### RESULTS AND DISCUSSION

The salient results which have bearing upon some of the objectives of the state policy on agricultural lands and the prospective growth pattern under the new economic environment are presented in Tables I to IV. These results bring out the following cases for further land reforms.

##### *Case for Minimum Floor Limit to Agricultural Holdings*

Table I shows the extent of such land transactions which involved only a part of total land holdings sold, thus resulting in further fragmentation of holdings earlier consolidated at a substantial social cost. It may be noted that 217 out of a total sample of 400 sale transactions (i.e., 54.3 per cent) caused fragmentation of holdings through a part of land holdings. This fragmentation on marginal and small holdings makes them non-viable from both the points of view of family sustenance as well as resource use. It was found that a very large number of land sale transactions (more than 20,000 per year in the district) are being made every year for the past several years. Hence, the intensity of the resulting fragmentation can be easily visualised. Blarel *et al.* (1972) observed that the cost of fragmentation includes increased travel time between fields, hence lower labour productivity, higher transport costs for inputs and outputs, negative externalities (such as reduced scope

for irrigation and soil conservation investments), loss of land on boundaries and access routes, and greater potential for disputes between neighbours. Thus land sale transactions are found to be negative the very objective of consolidation of holdings. Though it would be undesirable and infeasible to exercise a ban on agricultural land sales, yet the incidence of such sales can be reduced by minimisation of distress land sales on account of financial needs. The data presented in Table III indicate that about two-thirds of the total land sales were done on account of financial distress which included social ceremonies and family consumption needs. It would be better to allocate funds for the financial needs of the farmers (including consumption needs) fulfilled against land mortgage than to waste huge funds in recurrent consolidation works and the associated litigations, etc. Further, the sale of agricultural lands in very small parcels may easily be restricted through suitable regulations. For example, the U.P. Zamindari and Land Reforms Act, 1950 (substituted by U.P. Act No. 20 of 1982, with effect from 3-6-1981, under Section 157-A) restricts the transfer of land by the Bhumidhar or Asami scheduled caste to non-scheduled caste by any means, except with the previous approval of the collector, and even then the land after transfer must not fall below 1.26 ha in any case. Such a limit could be worked out on regional basis and made applicable in general sale of agricultural lands. The exorbitant cost of consolidation work and the adversaries of fragmentation justify a lower limit on sale of parcels of agricultural holdings.

TABLE I. EFFECT OF SALE/LEASE TRANSACTIONS ON FRAGMENTATION OF HOLDINGS

Particulars	Average size of transaction (ha)	Number of transactions				
		Total sample	Transfer of total holding	Transfer of only a part of holding	Transfer of single consolidated plot/s	Transfer after splitting the consolidated plot/s
(1)	(2)	(3)	(4)	(5)	(6)	(7)
A: Seller						
1. Marginal > 0 - 1 ha	0.266	203 (50.8)	79 (79.0)	124 (41.3)	22 (26.5)	102 (47.0)
2. Small > 1 - 2 ha	0.631	100 (25.0)	17 (17.0)	83 (27.7)	33 (39.8)	50 (23.0)
3. Medium > 2 - 5 ha	0.722	85 (21.2)	3 (3.0)	82 (27.3)	23 (27.7)	59 (27.2)
4. Large > 5 ha	1.018	12 (3.0)	1 (1.0)	11 (3.7)	5 (6.0)	6 (2.8)
5. Total	0.477	400 (100.0)	100 (100.0)	300 (100.0)	83 (100.0)	217 (100.0)
B: Lessor						
1. Marginal	0.639	84 (35.0)	73 (64.6)	11 (8.7)	9 (18.4)	2 (2.5)
2. Small	0.769	80 (33.3)	33 (29.2)	47 (37.0)	12 (24.5)	35 (44.9)
3. Medium	1.098	72 (30)	6 (5.3)	66 (52.0)	25 (51.0)	41 (52.6)
4. Large	2.515	4 (1.7)	1 (0.9)	3 (2.3)	3 (6.1)	0 (0.0)
5. Total	0.851	240 (100.0)	113 (100.0)	127 (100.0)	49 (100.0)	78 (100.0)

Note: Figures in parentheses are percentages of the respective totals.

In a sense, this would mean prescribing a minimum floor limit to agricultural holdings. The case for this floor limit is further supported through observation of increasing landlessness particularly among the marginal farmers in both sale and lease markets. The data in Table II indicate a significant increase in landlessness of the total sample (i.e., sellers plus buyers, or lessors plus lessees) after the sale/lease transactions. It may also be noted from the same table that the magnitude of this rise in landlessness is more or less explained by the decline in the number of marginal farmers. During the course of investigation, it was found that while some of the marginal farmers opted out of farming for its being non-viable for family sustenance and went out for wage/self-employment, some other marginal farmers bought/leased-in more land so as to become small farmers with viable size of holdings. Thus the concept of a minimum size of viable holding for family sustenance has already emerged among the marginal and small holders at least in progressive and developed areas. The forces of economic liberalisation have set in motion the viability considerations in agriculture.

#### *Case for Relaxing Upper Ceiling to Agricultural Holdings*

It is also observed from Table II that, next to the marginal farmers, the number of medium farmers also declined after the land markets operations. It was found that this decline occurred on account of viability consideration for resource use, particularly of the heavy capital items like tractor, thresher, etc. Some of the medium farmers attempted to become owners or operators through purchase or leasing-in of land in order to make more efficient use of their farm capital resources. Thus the shift of the marginal and medium farmers towards small and large size-groups appears to crystallise the agrarian class into two groups, one of small farmers just viable to fulfil their family subsistence and the other of large farmers viable enough to exploit commercial farming through heavy capital investment. These trends are expected to become the general phenomenon under the new economic environment at least

TABLE II. EFFECT OF SALE AND LEASE TRANSACTIONS ON THE DISTRIBUTIVE ASPECT OF LAND HOLDINGS

Size-class	Sale market				Lease market			
	Number of owned holdings		Total land owned by the group (ha)		Number of operated holdings		Total land holding of the group (ha)	
	Pre (2)	Post (3)	Pre (4)	Post (5)	Pre (6)	Post (7)	Pre (8)	Post (9)
1. Landless	58	131	0.000 (0.000)	0.000 (0.000)	41	113	0.000 (0.000)	0.000 (0.000)
2. Marginal	321	248	179.987 (0.560)	127.007 (0.512)	232	93	150.730 (0.650)	72.250 (0.777)
3. Small	184	193	272.691 (1.482)	274.405 (1.422)	108	183	153.280 (1.419)	259.860 (1.420)
4. Medium	203	179	602.550 (2.968)	533.178 (2.978)	93	83	295.550 (3.178)	248.540 (2.994)
5. Large	34	49	294.426 (8.659)	399.940 (8.160)	6	8	33.920 (5.653)	52.830 (6.604)
Total sample	800	800	1,349.654 (100.0)	1,334.531 (100.0)	480	480	633.480 (100.0)	633.480 (100.0)

Note: (i) Figures in parentheses are average holding size of the respective group.

(ii) Difference between total owned land for total sample in columns (4) and (5) is due to land transfer to non-agricultural uses.

in the agriculturally progressive areas. These market-led viability considerations are healthy signs for growth, though at the cost of equity considerations. But in the long run, even the equity aspect would not be so adversely affected as the growth and value addition in agriculture is likely to provide enough wage and self-employment opportunities to absorb the increase in landlessness.

In order to provide fillip to these emerging trends in private capital investment in agriculture, the present ceiling limits need to be relaxed upwards. The intention here is not to open floodgates to large corporate farms, but to make the upper ceiling more realistic from the point of view of resource use viability of such capital resources like tractors, combine, tubewell, etc. In some of the states, it may require only marginal adjustments. The earlier ceiling limits were worked out about three decades earlier when commercialisation and diversification were not so heavy considerations in the policy framework. Now, it is these large farms which are to form the nucleus for the value added competitive and export-led growth through production of flowers, vegetables, seeds, fish, pearl, etc., which require heavy capital investment.

TABLE III(A). REASONS FOR LAND SALE TRANSACTIONS

Particulars (1)	Landless (2)	Marginal (3)	Small (4)	Medium (5)	Large (6)	Total (7)
<b>A: Sale market</b>						
<b>(I) Reasons for sale</b>						
(i) Impulsive (gambling, addiction, etc.)	-	15 (7.4)	7 (7.0)	4 (4.7)	0 (0.0)	26 (6.5)
(ii) Social ceremonies and other family consumption needs	-	53 (26.0)	28 (28.0)	26 (30.6)	4 (33.3)	111 (27.8)
(iii) Loan repayment	-	42 (20.7)	16 (16.0)	110 (21.2)	2 (33.3)	70 (13.8)
(iv) Price speculative motive	-	28 (13.8)	5 (5.0)	18 (21.2)	4 (33.3)	55 (13.8)
(v) Investment needs	-	46 (22.7)	21 (21.0)	15 (17.6)	2 (16.7)	84 (21.0)
(vi) Land supervision problem	-	19 (9.4)	23 (23.0)	12 (14.1)	0 (0.0)	54 (13.5)
<b>Total</b>	-	203 (100.0)	100 (100.0)	85 (100.0)	12 (100.0)	400 (100.0)
<b>(II) Purpose of buying</b>						
(i) Cultivation	27 (46.6)	103 (87.3)	70 (83.3)	104 (88.1)	20 (90.9)	324 (81.0)
(ii) Housing	22 (37.9)	11 (9.4)	10 (11.9)	12 (10.2)	2 (9.1)	57 (14.2)
(iii) Industry	9 (15.5)	4 (3.4)	4 (4.8)	2 (1.7)	0 (0.0)	19 (4.8)
<b>Total</b>	58 (100.0)	118 (100.0)	84 (100.0)	118 (100.0)	22 (100.0)	400 (100.0)

Note: Figures in parentheses are percentages of the respective totals.

*Case for General Recognition of Tenancy*

The earlier land reforms permit tenancy in agricultural holdings only under inability conditions of the landowners, such as of widows, disabled persons, jailed persons, military personnel, etc. But de facto tenancy is widely prevalent though largely in concealed forms as reported in several studies (Bardhan, 1976; Laxminarayan and Tyagi, 1977; Kumar, 1991;

TABLE III(B). REASONS FOR LAND-LEASE TRANSACTIONS

Particulars (1)	Landless (2)	Marginal (3)	Small (4)	Medium (5)	Large (6)	Total (7)
<b>A: Lease market</b>						
<b>(I) Reasons for leasing-out</b>						
(i) Absenteeism	-	62 (73.8)	22 (27.5)	15 (20.8)	1 (25.0)	100 (41.7)
(ii) Disabled	-	12 (14.2)	14 (17.5)	11 (15.3)	0 (0.0)	37 (15.4)
(iii) Addiction, gambling etc.	-	5 (6.0)	8 (10.0)	0 (0.0)	0 (0.0)	13 (5.4)
(iv) Management problem	-	3 (3.6)	28 (35.0)	38 (52.7)	3 (75.0)	72 (30.0)
(v) Casual attitude	-	2 (2.4)	8 (10.0)	8 (11.1)	0 (0.0)	18 (7.5)
Total	-	84 (100.0)	80 (100.0)	72 (100.0)	4 (100.0)	240 (100.0)
<b>(II) Reasons for leasing-in</b>						
(i) Subsistence	39 (95.1)	113 (76.4)	0 (0.0)	0 (0.0)	0 (0.0)	152 (63.3)
(ii) Utilisation of family labour	0 (0.0)	28 (18.9)	22 (78.6)	3 (14.3)	0 (0.0)	53 (22.1)
(iii) Utilisation of tractor power	0 (0.0)	2 (1.4)	2 (7.1)	16 (76.3)	2 (5.0)	22 (9.2)
(iv) Vegetable farming	2 (4.9)	5 (3.3)	4 (14.3)	2 (9.5)	0 (0.0)	13 (5.4)
Total	41 (100.0)	148 (100.0)	28 (100.0)	21 (100.0)	2 (100.0)	240 (100.0)

Note: Figures in parentheses are percentages of the respective totals.

Singh *et al.* 1991). The present study also attempted to investigate into the reasons for leasing-out and leasing-in of agricultural lands. The results on this account are presented in Table III. It is observed from the table that the disability served as the reason for leasing-out only in 15 per cent cases, while the absentee owners and management problems on lands accounted for 70 per cent cases. Similarly, subsistence and family labour use were the major reasons for leasing-in land. As already discussed earlier, the results shown in Table II indicated that the marginal farmers tried to become small and the medium farmers tried to become large through land-lease out of viability considerations. That non-viable tiny holdings are converted into viable small holdings at the lower end, and the capital resources are better utilised at the higher end, must be viewed as progressive developments and need to be encouraged. Both these processes can be expected to contribute to resource use efficiency in agriculture. Further, the productivity differentials between the lessors and the lessees, as shown in Table IV, indicate better resource management and productivity gains by the lessees.

TABLE IV. CROP PRODUCTIVITY DIFFERENTIAL BETWEEN THE FARMS OF LESSORS AND LESSEES

Crop (1)	Yield (qt/ha)			Column (3) as percentage of column (2) (5)
	Lessor farm (2)	Lessee farm (3)	Difference (4)	
Wheat	30.18	39.69	9.51	131.5
Maize	13.63	14.12	0.49	103.6
Rice	21.41	24.03	2.62	112.2
Sugarcane	644.23	735.17	90.94	114.1
Potato	208.27	280.50	72.23	134.7

Note: The data are based on primary survey for the agricultural year 1990-91.

Thus the reality of existence of land-lease market in agriculture to a considerable extent and its beneficial effects on productivity and growth suggest for according full legal status to tenancy as a general class of land tenure by protecting the interests of both the owners and the tenants. This will help replace a wider range of inability in agriculture by the willing ability to cultivate lands. This will also reduce unnecessary fragmentation of agricultural holdings since lease rent as an annuity will serve as an alternative to wealth sharing through land sales. In developed areas and where population pressure on agricultural land is less and wages are high, the marginal farmers may gain doubly by leasing out their lands on rent and taking up wage employment.

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