

Land reform and agricultural productivity in India

On the whole, the impact of land reform on agricultural productivity in India appears to be negative and significant. This hides considerable variation by state and by type of land reform. For the few states that did implement these laws rigorously, such as West Bengal, the productivity effects of land reform were positive. Also, land ceiling legislation tends to be the main driver of the negative effect.

Land reform usually refers to redistribution of land from the rich to the poor. In India, land reform legislation consisted of four main categories: *tenancy reform*, which guaranteed security of tenure and fair crop shares for tenants; *abolition of intermediaries*, which brought the cultivator of the land in direct contact with the government; *land ceiling*, which imposed an upper limit on landholdings and aimed to redistribute surplus land to the landless; and *land consolidation*, which unified small bits of land into a single holding to boost viability and productivity.

Land reforms and efficiency

In addition to the obvious direct implications for equity, land reforms can also improve efficiency. Since by the inverse farm size-productivity argument, small farms tend to be more productive than large farms, land reform in the shape of land ceiling laws is expected to raise productivity by breaking (less productive) large farms into several (more productive) small farms. Additionally, since owner-cultivated plots of land also tend to be more productive than those under sharecropping tenancy, land



Photo: S. Roy

reform in the form of tenancy laws that granted security of tenure could raise productivity by converting sharecroppers into owner-cultivators.

Our empirical analysis reveals that overall land reform legislation seems to have had a negative and significant effect on agricultural productivity in India. However, this hides considerable variation across types of land reform, as well as variation across states. Decomposing by type of land reform, the main driver for this negative effect, seems to be land ceiling legislation, which in turn might be capturing the effect of fragmentation of land holdings. Indeed, in Kerala, one of the leading states in implementing land reforms in India, it is generally

Peasants demonstrated in many states in India, paving the way for land reforms.

acknowledged that land reform has led to extreme fragmentation of land that has adversely affected productivity and made agriculture a low-profit venture in the state. In contrast, the effect of tenancy reform turns out to be insignificant.

Substantial heterogeneity across states

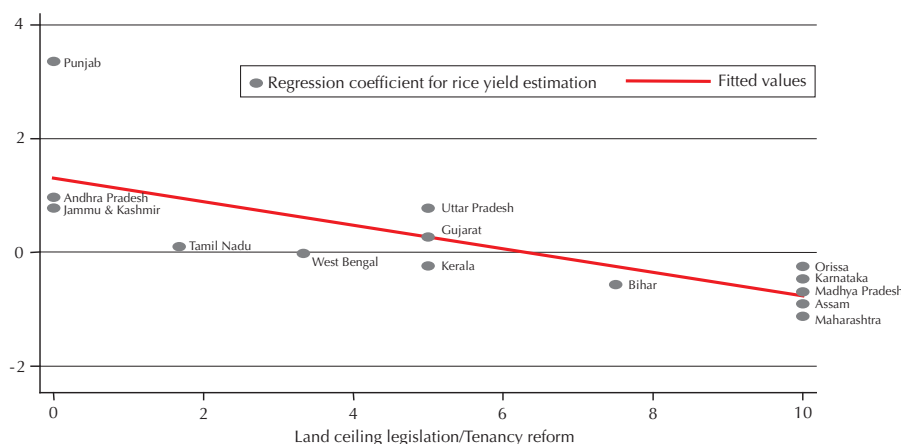
There is also substantial heterogeneity in the land reform experience across states that is lost in the aggregate analysis. In West Bengal, one of the

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Land reform effectiveness and ratio of land ceiling to tenancy reform



few states where land reforms, especially tenancy laws, were implemented rigorously, the negative relationship between land reform and productivity is absent. The reason for this is likely to be a combination of two factors.

First, during the period under study, tenancy reform, and not land ceiling legislation, was the key source of variation in the land reform measure in the case of West Bengal, relative to other states. The graph plots the estimated effects of land reform on productivity of rice in each state against the ratio of land ceiling legislation to tenancy reform, and we can observe a negative relationship between the two. States that were more active in passing land ceiling legislation relative to tenancy laws perform worse in terms of productivity effects (see graph).

Secondly, tenancy laws were implemented thoroughly in West Bengal, thereby bypassing the potentially negative effects that could arise due to efforts to evade or avoid the law, e.g. eviction of tenants by landlords in anticipation of the law. Indeed, we find evidence that tenancy reform seems to have increased the inequality of operational holdings (without affecting inequality in ownership holdings) in states other than West Bengal. This suggests that in anticipation of the new tenancy legislation, landlords could be engaging in eviction of tenants in states other than West Bengal where tenancy

reform was poorly implemented. Due to rigorous implementation, it seems plausible to argue that West Bengal could avoid such negative outcomes.

Conclusion

The overall impact of land reforms on agricultural productivity seems to be negative in India. The broad reason for this seems to be inadequate implementation, and indirect and unintended negative consequences of the policy. This aggregate picture conceals a high level of heterogeneity of experience across states and across types of land reform. In states like West Bengal, where the focus was on tenancy reform and implementation was rigorous, the results were positive. However, using aggregate data makes it difficult to distinguish between direct and indirect effects of land reform and properly understand the microeconomic mechanisms through which land reforms affect agricultural productivity. Future work should focus on micro-level data to shed more light on this issue.

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Zusammenfassung

Die Auswirkungen der Landreform auf die landwirtschaftliche Produktivität in Indien scheinen auf den ersten Blick eindeutig negativ und erheblich. Es gibt jedoch starke Unterschiede je nach Bundesstaat und Art der Landreform. In Indien umfasst die Gesetzgebung zur Landreform vier Schwerpunkte: *die Reform der Pachtgesetze, die Abschaffung von Mittelpersonen, die Festsetzung von Obergrenzen für Landbesitz*, mit welcher der Grundbesitz nach oben beschränkt und überschüssige Ländereien an Besitzlose verteilt werden sollen, und die *Zusammenlegung von Ländereien*, mit der kleine Parzellen zu größeren Grundstücken zusammengefasst werden sollen, um sie rentabler und ertragreicher zu machen. Die wenigen Bundesstaaten, die diese Gesetze streng angewandt haben, wie etwa Westbengalen, konnten positive Effekte der Landreform auf die Produktivität verzeichnen. Die negativen Folgen sind meist durch die gesetzlich geregelten Obergrenzen für den Landbesitz bedingt.

Resumen

En general, el impacto de la reforma agraria sobre la productividad agrícola en la India parece haber sido negativo y significativo, sin tomar en cuenta las considerables variaciones según los estados y el tipo de reforma agraria. En la India, la legislación de reforma agraria se compone de cuatro categorías – *reforma de la tenencia de la tierra, abolición de intermediarios, restricciones a la propiedad de la tierra*, que imponen un límite superior de propiedades agrícolas y están dirigidas a redistribuir las tierras en exceso entre los campesinos sin tierra, y *consolidación de propiedades*, que unifica pequeñas parcelas en una sola explotación agrícola a fin de incrementar su viabilidad y productividad. Para los pocos estados que implementaron estas leyes con rigurosidad, tales como Bengala Occidental, los efectos de la reforma agraria sobre la productividad fueron positivos. A su vez, la legislación de restricciones a la propiedad de la tierra parece ser el mayor factor impulsador del efecto negativo.