CHAPTER-2
REVIEW OF LITERATURE

The present chapter has been divided into two sections which are as follows:

1. Theoretical rationale of land lease
2. Empirical studies

1. Theoretical rationale of land lease

The theoretical rationale for land lease, particularly in the age-old form of sharecropping, has been the subject of fairly large literature. I shall only briefly indicate in this section some of the main points of the rationale of leasing. The present section has been divided into three subsections which are as follows:

Classical view

Adam Smith (1976) wrote of the *metayers* (sharecroppers) in France, which he thought to be the successors of “the slave cultivators of the ancient times.” Of the productive nature of the metayage system, Smith wrote:

It could never, however, be the interest (of the metayers) to lay out, in further improvement of land, any part of the little stock which they might have saved from their own share of produce, because the lord, who laid out nothing, was to get one half of whatever it produced. The tithe, which is but a tenth of the
produce, is found to be a very great hindrance to improvement. A tax, (the classical economists considered rent in the form of share produce equivalent to tax as it is also paid on per unit of production) therefore, which amounted to one half, must have been an effectual bar to it.

According to Smith’s view, the “slave” cultivators preceding the metayers were even less productive, because “a person, who can acquire no property, can have no interest but to eat as much, and to labour as little as possible.” Thus for more productive land use the metayers succeeded the “slaves.” Since in his view the metayage system was also defective, Smith claimed that “by very slow degrees,” the metayers were succeeded by “farmers . . . , who cultivated the land with their own stock, paying a rent certain to the landlord.” Although Smith favoured fixed rent contracts over sharecropping, he was none the less concerned with the “insecurity” of the farmers because of the expiration of the lease. He advocated “the law which secures the longest leases against successors of every kind.”

**Neo-classical view**

Marshall (1920) also considered sharecropping to be inferior to the fixed rent tenancy. This was explained by him on the basis of marginal analysis. Marshall commented:

“When the cultivator has to give to his landlord half of the returns to each dose of the capital and labour that he applies to the land, it will not be in the interest to apply any doses the total return to which is less than twice enough to
reward him. If, then, he is free to cultivate as he chooses, he will cultivate far less intensively than on the English plan (fixed rent); he will apply only so much capital and labour as will give him returns more than twice enough to repay himself: so that his landlord will get a smaller share even of those returns than he would have on the plan of fixed system.”

Thus Marshall says that the tenant would apply labour and capital only to a point where the marginal returns to the factor are just equal to the marginal cost of the inputs. Taking away a share of the produce in sharecropping system (where the tenant gets the residual) brings this point much earlier than the full use of resources as in the fixed rent tenancy (where the entire output is retained or we can say is in the form of surplus).

Contemporary views

Bardhan (1984) is of the opinion that the rationale of sharecropping lies in the market imperfections. This brings to the case of uncertainties and asymmetric information. Production uncertainty increases the importance of sharecropping as a compromise between wage and fixed rent contracts.

An inadequately developed credit system may also contribute to the rationale of share cropping. If fixed rent system involves advance payment of rent, a capital poor or credit rationed tenant is likely to prefer share tenancy where the rental share is collected at the time of harvest.
Newbery (1977) has shown that the risk is not confined to production but also to labour market with risky wages. Thus, if the labour market is unable to provide needed insurance, sharecropping emerges as a partial solution in response.

Reid (1973) has pointed out that sharecropping has a special advantage as much of uncertainty in agriculture is sequential, with one’s view of likely prospects changing over the crop cycle, making renegotiation of contract terms desirable for both parties. With wage or fixed-rent contracts, one party has no incentive to negotiate.

Bliss and Stern (1981) have explained an additional factor, explaining the advantage of sharecropping as opposed to wage contracts. It is the indivisibility and imperfect marketability of some factors of production. They emphasized that in absence of an active market for hiring services of draft animals, leasing of land under sharecropping is a way of ensuring a fuller utilization of the household endowment of such animal power. A similar argument applies with respect to endowment of underutilized but indivisible managerial and husbandry skills of cultivators and to underemployed family labourers (particularly women and children), for whom there are various social and economic constraints for participating in the wage labour market.
2. Empirical studies

Empirical studies have been carried out on various aspects of contractual land agreements covering different regions of the country. The following important aspects have been taken up in the present study.

2. Factors affecting contractual land agreements.
3. Effects of contractual land agreements.

We shall have insights of these aspects one by one.

**Nature of contractual land agreements:**

Pillai and Panikkar (1965) noted that in Kuttanad district, the divorce between proprietorship of land and work in the fields was as complete as it would be. The actual operation in land thus leased out was not necessarily by tenants but by the labourers belonging to the backward communities. It was further observed that the scheduled caste members, who were socially relegated to carry out the agricultural operations, were as slaves tied to the land and transacted along with it by janmies.

Sharma (1965) studied distribution pattern of different types of tenants in various states in 1961 and reported that in India amongst the tenanted holdings 23.16 per cent were operated under mixed type of tenancy. This mixed type in
which operated land is partly owned and partly leased in, was the most important type of tenancy prevailing in rural area in early sixties.

Vyas (1970) observed on the basis of analysis of micro studies in Gujarat that in commercialized area, extent of tenancy was high and land distribution more skewed. This created problems for the small farmers who had to accept crop share contracts and worst terms of lease, as compared to bigger farmers taking more land on fixed rent contracts.

Rudra and Khoda (1975) conducted a study in Birbhum district of West Bengal on agrarian transformation and found that the Kisheni system of annual crop sharing contract has been virtually eliminated between a cultivator and a labourer which was widely prevalent in the district.

Bardhan (1976) recorded that during the same period, the percentage of area under share tenancy out of the total area under tenancy has increased at the all India level but it declined in Punjab (including Haryana), Kerala and Assam. The size of tenant holdings was also observed to vary across the states: in 1960-61 the tenant was generally a small farmer in East and South India, but in West, central and north-west India, the tenant was a large farmer. Further, he recorded that in 1970-71 nearly 80 per cent of the tenant holdings in India were operated by landed tenants.

Nadkarni (1976) reported, on the basis of a micro study in Maharashtra, that land owners as a class are predominant lessees and pure tenancy is not dominant. The large cultivators are extending their control on land and lease in
more land while the small cultivators lease-out considerable area, which is a developing contradiction in land reforms.

Bhalla (1977) recorded, on the basis of a micro study in Haryana that green revolution by reducing the minimum size of a viable holding greatly accelerated the sub-division of family farms between 1961 and 1972 and the tenure structure was altered in favour of pure owners. The new technology resulted in widespread resumption of leased out land for self cultivation and large number of mixed tenant farmers was changed into pure owners.

Ghosh (1981) conducted a study in two villages namely, Sarul and Khargram in the district of Burdwan, West Bengal and showed that 79 per cent of the total leased-in land in 1967-68 was held by the small and marginal farmers. It further increased to 84 per cent in 1975-76. The rest of the leased in land was occupied by the lower middle group. It is further revealed that the proportion of leased in land to the total operated area was 33.18 per cent among the marginal farmers and 34.39 per cent among the small farmers in 1967-68. In 1975-76, the proportion further increased to 61.69 per cent and 56.17 per cent among the marginal and small farmers, respectively. In case of terms and conditions of lease, the share cropping still continued as the predominant form of tenancy arrangement in the kharif season in both the villages, accounting for 94 per cent in the 1st village and cent per cent in the 2nd village. In summer season in 1967-68, the entire leased in land was also under share-cropping on 50:50 basis. However, in 1975-76, a significant change in the arrangement share cropping being replaced by fixed
rent tenancy. He argues that fixed kind rent system was more profitable as the whole of the economic surplus after meeting the cultivation expenses went to the farmer. On the other hand, under the share cropping system, the tenant had to part with a part of the surplus created by his own labour. According to him the small tenants had to accept sharecropping arrangement due to paucity of resources while bigger landlords went for fixed rent system.

Further the study found that the period of lease had conspicuously shortened. Leases were being contracted for each season and for each crop and terms and conditions were fixed for each contract. The tenants were not necessarily the same old tenants. The distribution of rented in land by size class of operational holdings showed that the small and marginal farmers had the large share in it except in area of shallow tube wells and pump sets during summer season.

It was concluded that since the introduction of new technology, the lease market had undergone some significant changes and the nature and extent of irrigation were important factors in shaping its character.

Grewal et al. (1981) in a study of Ballowal village of Ludhiana district, one of the agriculturally developed districts of holdings greater than 6 hectares accounted for 64 per cent of the total leased in land (A strong case for reverse tenancy). They further revealed that there was a sizable decline in the size of ownership holdings. This decline in ownership holdings was mainly due to
fast growth of population and also the imposition of land ceiling laws. The study further shows that there was no or little decline in the operational holdings.

Rai et al. (1981) in a study 15 Tehsils of Haryana State found that in the canal irrigated areas crop-sharing system of renting dominated over cash system as against cash system in the tube well irrigated areas. 23 per cent of farmers were found to be engaged in the practice of leasing in and leasing out, constituting nearly 10 per cent of total owned area under cultivation. However the incidence of tenancy was found to be decreasing over time. He further reveals that cash renting is preferred to share cropping by the landowners as well as the tenant. The landowner has an insurance against the failure of the crop and the tenant has an opportunity to use better production practices in order to get higher income.

Raja Gopalan and Anuradha (1987) reported that the number of owners has increased but the owned area per farm had declined. All the tenants of the earlier period had improved their position but in case of operational holdings, the average size of holding had declined by 17.2 per cent from 3.19 hectares to 2.64 hectares. The decrease in the size of operational holding was 22.9 per cent for pure owners and 11.8 per cent for the owner-cum tenants. On the other hand, the tenants had increased their operational holding by 17.2 per cent. It can be concluded that the number of owners have increased and reduction in the size of owned and
operational holdings. Tenants, though going down in number, are better placed than before.

Chatha and Singh (1988) examined the pattern of distribution of owned and operational holdings in the Indian Punjab, together with the operation of the land lease market. The study was carried out in 9 of the 12 districts where data collection facilities were available. Data were collected from 522 farmers during 1984-85. They found that about one third of the farmers had resorted to leasing of land and the proportion of leased land to the total operated area was about 14 per cent. Pure tenancy was virtually non-existent in the state. The practice of leasing lands both on cash and on a crop sharing basis was prevalent in the state. The average cash rent was Rs.3000 per ha for the year 1984-85.

Singh (1989) revealed in his study that the presence of relatively well off tenants in developed region has improved their position vis-à-vis lessors as compared with backward region with the effective use of modern technology. In advanced region, majority of the lessors lease out because of their involvement in some non-agricultural jobs. Reasons for leasing out in many other cases are lack of manpower in the household due to widowhood or some other physical or mental handicaps. It seems that those large owners who were previously leasing out because of non-profitability of owner cultivation with hired labour had already resumed their land in the wake technological changes.

Kumar (1991) in a study of four agrarian villages of Kuttanad district of Kerala found that of the total holdings nearly 41 per cent are leased out. Of this, 42
per cent is leased out be medium farmers and remaining by the large farmers. None of the small farmers leased out the land. Further on the leasing in side 87 percent were small farmers and the remaining were the medium farmers. None of the large farmers leased in any land.

The study further reveals that land-leasing arrangement was entirely different from that out of the pre-land reform period. Unlike the earlier days, land is leased out for a strictly short term. After one crop is raised, the land is taken back by the landowner and allotted to a new tenant. Even if the same tenant is given the land for a second time, the lease contract would be a fresh one. This is the same throughout the region. The rotation of tenants is mainly owing to the landowner’s fear of any future protective legislation in favour of tenants.

Regarding the terms of renting, there is only fixed cash rent tenancy in the region. The reason for the predominance of cash rent may be that the rent may be collected even before the farming operations start. It eliminates the risk factor in the event of crop failure. Further, the freedom of the tenant to enter the lease market is in no way restricted and no tenant is liable to provide unpaid labour services or any obligatory service to the landlord. Regarding the security of tenure, the position of tenants seems to be much worse. Now the landlords frequently rotate the tenants and the lease contract is only for one crop. Similarly, the ratio of rent to the total produce is very high. The economic features of the tenancy cultivation sufficiently indicate that this is subsistence farming, signifying stagnation in agriculture.
Singh *et al.* (1991) on the other hand, in a study of land lease market across different regions of Punjab, over two periods of time with a time gap of 15 years, i.e., 1971-72 and 1987-88 (the early green revolution period and post green revolution period) concluded that land lease activity has increased markedly since the green revolution period. They revealed that percentage of leased in area to total operational area of the state increased from 9.40% in 1971-72 to 12.91% in 1987-88. They further revealed that the small holders of land lease their land to farmers of higher size classes (again a case for reverse tenancy).

Alice (1992) showed in his study that the agrarian social structure in India has been changing since independence. Though there has been a decline in the domination of feudal and semi-feudal landowning classes over the Indian agrarian economy, yet evils such as share cropping, high rents, economic bondage and eviction of tenants still prevail in different parts of the country in varying degrees. The study further revealed that in areas where Agriculture is technically more developed, there is leasing of land by the large landowners from the small farmers. This phenomenon is present in Punjab and other areas where the impact of the ‘Green Revolution’ is visible.

Singh (1992) examined in his study that the variation in leasing operation among various regions of the country seems related to the extent of agricultural development as well as demographic pressure. The study further observed that the pattern of leasing across different size classes remained more or less unchanged over the period 1953-54 and 1971-72. However, between 1971-72 and 1982 find a
sharp decline in the proportion of leased-in land in case of sub marginal and marginal holdings accompanied by a sharp rise in the area leased in case of large holdings.

Jain (1993) revealed in his study on “Land operationship and Tenancy in Madhya Pradesh” that in case of changes in the Land Tenancy in 1970-71 and 1975-76, the maximum area rented from others was in the medium and large categories of cultivators. In 1975-76, the tenancy was found to at higher level as compared to 1970-71. In 1980-81, the land tenancy moved in favour of semi-medium and small categories of cultivators as against the medium/large categories of cultivators. The mode of leasing was fixed produce, share of produce and others which include combination of money and produce and money and crop sharing.

Mohapatra (1994) observed in a study of Orissa agriculture that lessors belong to various sizes of land ownership; pure lessors (rentier class) are insignificant in number. The big lessors generally prefer the landless and marginal cultivating households as their tenants. Through this arrangement, they seek to maximize the indirect exploitation of the tenant’s family labour by interlinking land leases with labour hiring. Irrespective of caste, the economic necessity of a household is a formidable guide in its opting for leasing-in land and often for entering into interlocking lease arrangements. The study further revealed that the nature of lease contracts and the degree of exploitation of tenants under interlocking arrangements mainly depend upon the relative economic status of the lessors and their lessees.
Vaidyanathan (1994) points out that there has been a decline in incidence of tenancy due to the following reasons.

a. The legislation for protection of tenants rights, compounded perhaps by fears that greater political assertiveness of tenants would result in stricter enforcement of laws. This may have led to eviction of tenants and resumption of leased land for self-cultivation.

b. The reverse tenancy comes in to being due to technological progress (in the form of HYV-irrigation–fertilizers) as the large farmers are better placed to exploit the potential of the new technology. This would again lead to resumption of leased land for self-cultivation. There is significant evidence that this phenomenon has occurred on a significant scale in states of Punjab and Haryana - the heartland of green revolution.

Sharma (1995) in a study of four villages of Orissa (two villages, one irrigated and one un-irrigated, in a relatively agriculturally developed district (Balasore) and two, again one irrigated and one un-irrigated, in an agriculturally backward district) pertaining to the agricultural year 1988-89 found that small tenants leased in a higher proportion of their cultivation land than the large tenants in both the type of villages and regions. The magnitude of tenancy was found to be higher in the un-irrigated village in the developed region and irrigated village in the backward region. In the developed region 46.67% of the tenants in the irrigated village and 69.33% of the tenant in the un-irrigated village were below
poverty line. While in the backward region 48.00% of the tenants in the irrigated village and 86.67% in the un-irrigated village was below poverty line. (This again indicates that there is subsistence farming indicating stagnation in agriculture).

Singh (1995) in a study of three villages in Haryana found that 35.3 per cent of tenants belonged to semi-medium farmers (with owned land between 2-4 hectares) followed by small (1-2 hectares) & marginal farmers (below 1 hectare) having share 19.6, 15.7 and 9.8 per cent respectively. In this way contractual land agreements were found to be most prevalent in semi-medium (2-4 hectares) farmers. It goes on decreasing on both ends of farm size holdings. It is least prevalent in marginal (below 1 hectare) farmers.

Further the study revealed that fixed tenancy with cash is the dominating form of tenurial contract prevalent in the under developed village. On the other hand the fixed tenancy as well as sharecropping is prevalent in the case of medium developed village in all the size groups except the marginal tenant category. It is noteworthy that in the developed village, while fixed tenancy is dominant form of tenancy among the semi-medium, medium and large tenant, share tenancy is dominant in the case of marginal and small tenant. On the whole it appears that the dominance of fixed tenancy is more among the rich farmers. The prevalence of share tenancy is more among the marginal and small farmers.

Kumar (1998) in a study of 15 villages representing three different zones of Haryana revealed that out of total number lessees 59 per cent belonged to category of landless, marginal and small farmers (having land below two hectares).
Remaining 41 per cent were medium and large farmers whose owned land was more than two hectares (Facts against reverse tenancy). Out of total number of lessors 38.5 per cent belonged to marginal and small farmers while 61.5 per cent belonged to medium and large farmers. The three regions showed varied nature of contracts. In the region with minimum irrigation, 74% of the marginal farmers (up to 1 hectare) adopted the crop-sharing contract. While the major form of contract in small, medium and large farmer segment was fixed money contract. In second zone with intermediate irrigation the major form of contract was crop sharing. In the third zone with best irrigation facilities the nature of contract was fixed money contract. 92.30 per cent of the contractual land agreements in first zone were for one year while 7.70 per cent were for more than one year. The figure was 95 & 5 per cent for second zone while in the third zone 84.84 per cent of the contracts were for one year, 10.60 for more than year and 4.56 per cent contracts were for one crop.

Birari et al (2000) on the basis of a study based on a cluster of 60 villages in Maharashtra for the year 1998-99 found that majority of tenants (63.75 per cent), preferred to pay the rent in cash followed by sharecropping (20.57 per cent) wherein the important cash inputs such as seeds, fertilizers, plant protection chemicals were shared by the land-leasers for particular crop by mutual understanding and in kind (15.68 per cent). The study further revealed that cereal crops were grown on about 54 per cent of the total leased area of 471.83 hectares, followed by 27.40 per cent in the case of cash crops including cotton and
sugarcane, 12.84 per cent in the case of pulses and 7.58 per cent in the case of oil seeds. Very less proportion of leased area was allocated to vegetable crops because of high risk and uncertainty in vegetable cultivation. The tenants tried to exploit maximum benefits from the leased-in land by taking particular crop in a particular season during a short period of time.

Dahiya et al (2000) on the basis of a sample of 15 tenants selected randomly from two villages in Hisar Tehsil in 1993-1994 and 1999-2000 reached to the conclusion that the tenancy takes three forms, viz., cash rent, crop-share on one-fourth basis, and crop-share on one-half basis both in the produce and inputs. The share of leased-in land was 78 per cent during both the periods. The share of leased-in land on one-fourth basis was about 41 per cent in 1993-94, which declined to 4.81 per cent in 1999-2000. In the case of those respondents who rented on one-half share of the produce basis, the tenant provided the labour while expenses on inputs were shared equally. During 1993-94, of the landless respondents 78.57 per cent leased-in land on one-fourth share of the produce basis and they did not pay for any expenses due to their poor economic position. Similarly, their share in decision-making was negligible while during 1999-2000 only 18 per cent of the landless tenants leased-in land on one-fourth basis While about 82 per cent on one-half share basis and 35.72 per cent of the respondents owning up to 2 hectares of land leased-in land on cash rent basis.

Goyal et al (2000) on the basis of data collected from National Sample Survey (NSS) and Statistical Abstract of Haryana different points of time, viz.,
1971-72, 1981-82 and 1991-92 found that percentage of area leased-in to the total area owned had increased from 19 per cent in 1982 to 41 per cent in 1992. In Haryana State, the fixed money (rent in cash) was found to be the main term of lease particularly in the assured irrigated areas_regions. However, at national level, crop sharing was the most important kind of lease contract. The highest percentage of households who reported leasing out of land was reported to be the highest (72 per cent) among the marginal farmers.

Haque (2000) on the available data of National Sample Survey for the years 1981-82 and 1991-92 concluded that leased in area as percent of total operated area in Haryana was 18.22 percent in 1982, which increased to 33.74 percent in 1992 while the national average was 7.18 and 8.28 percent in 1982 & 1992 respectively. This shows a high level of leasing in Haryana as against national average. In fact it is the highest followed by Punjab remote 2nd (18.83 per cent in 1992).

Further the changes in the share of various size classes of farms in total leased in area (based on operational holdings) in Haryana can be shown by the following table:

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<tr>
<th>Size-Class (ha)</th>
<th>Percentage share in total leased in area</th>
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<tr>
<td></td>
<td>1982</td>
</tr>
<tr>
<td>Less than 1</td>
<td>3.83</td>
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<td>1 to 2</td>
<td>4.24</td>
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</table>
This shows a high level and increased trend of reverse tenancy in Haryana. The following socio-economic reasons can be attributed to this strong trend of reverse tenancy in Haryana: (i) Large farmers’ desire and ability to maximize income through expansion of the size of the operational holdings, especially when they lack the necessary skill, attitude and opportunities for taking up non-farm activities. (ii) Non-availability of capital or credit with marginal farmers for investment in modern inputs. (iii) Marginal farmers’ desire to maximize income through leasing out of land and wage earnings by hiring out labour both within and outside agriculture, if such opportunities exist. (iv) Population pressure, which compels all classes of landowners to look for additional land. (v) Large farmers’ greater socio-economic strength in unequal rural power structure.

Jain (2000) et al on the basis of primary data of Punjab collected under a major project “Comprehensive Scheme to Study the Cost of Cultivation of Principal Crops in Punjab” for 1981-82, 1990-91 and 1997-98 revealed that the level of leasing-land increased with farm size. The pattern of tenancy has been shifting at a faster rate from ‘share basis’ to cash rent basis. Large farmers do corner good quality land for leasing-in.
Jairath (2000) in a study of different regions of progressively horticultural state of Himachal Pradesh over two points of time, namely, period I (1980-81) termed as early horticultural revolution period and period II (1990-91) termed as post-horticultural period concluded that the land in general is leased-in for five major types of contracts in most parts of the state. They are as follows: i) For fixed amount of money. ii) For fixed quantity of produce. iii) For share of produce. iv) Under usufructuary mortgage and v) under other terms.

The land leasing on the basis of these five terms indicated different agrarian relations in the state/different zones. The ‘share of produce’ was the single largest term, which accounted for nearly 44 per cent of the total area leased in the state. The share of produce system indicates that the feudal aspects of tenancy still dominated the scene in the horticulture state.

Kaul et al (2000) on the basis of secondary data concluded that at the national level, of the total leased-in area, the largest area was accounted for by share of produce followed by fixed money and fixed produce.

Khodaskar (2000) on the basis of a study of fifteen farmers (case studies) selected randomly from Wadgaon Anand village of Junnar taluka in Pune district of Maharashtra for the year 1999-2000 came to the following conclusions. The distribution of rented-in land by size-class of operational holdings shows that the small farmers and the marginal farmers had the largest share, accounting for nearly 80 per cent. The rest was held mainly by the medium size-group of farmers. It is further revealed that the proportion of leased-in land to the operated land was
40 per cent, 20 per cent and 16 per cent among the marginal farmers, small farmers and the medium farmers respectively. The large size-class accounted for 60 per cent of the total leased-out land. The share of middle size-class was 40 per cent.

Sharecropping is the predominance form of tenancy in the Rabi season, accounting for about 88 per cent and rest by fixed kind rent system. In the case of sharecropping, all the costs, except labour were shared equally by the tenant and the owner, where as in the case of fixed kind rent system, the tenants incurred all the costs except the land revenue. Thus the substantial farmers mostly belonging to the higher size-class who were endowed with resources preferred the fixed rent system and enjoyed higher returns. On the other hand, the lessees who belonged to the poor category of farmers had to depend on the landowner for working capital and they preferred sharecropping on a 55:50 basis although it gave lower return. Nature and extent of irrigation were important factors in shaping its character.

Pandey et al (2000) on the basis of a data of selective 40 farmers under major production systems in Haryana revealed the following facts: i) both leasing-in and leasing-out practices are prevalent in Haryana. ii) The marginal, landless and the small farmers mostly adopted leasing-in practice and the large farmers followed by the small and marginal farmers leased-out their land. iii) Cash renting is the most popular form of land-lease now a days adopted in Haryana over the crop-sharing practice being the most popular form till the mid-eighties.
Pant et al (2000) in a study of 50 villages in different agro-climatic regions of Rajasthan for the agricultural year 1997-98 found that two third of total respondents who leased-in land were landless, marginal and small farmers and the remaining were medium and large farmers. About one third of the total respondents who leased-out land were marginal and small and two third of them were medium and large farmers. About 13 per cent of the total respondents leased-in land on cash payment basis and the remaining leased-in land on crop-sharing basis.

Ramakumar (2000) compared NSS data on operational holdings at two points of time, 1980-81 and 1991-92. He found that the number of tenant holdings decreased in the lower size-classes and has increased in the large size-class. This implies that the tenancy factor has become more intensive in the larger holdings and less intensive in the smaller holdings, signifying the increasing prevalence of reverse tenancy in Indian agriculture. This has been the case particularly in the states like Haryana and Punjab, where the phenomenon of increased tenancy has been accompanied by the increase in the average size of tenancy-infested holdings. Thus there is a rise in capitalistic methods of leasing, where large farmers lease-in from relatively small farmers.

Another significant feature is the predominance of sharecropping as the major form of tenancy throughout the country. Though the percentage of area under sharecropping contracts has come down between 1971-72 and 1991-92, it is still practiced in majority of the holdings. An emerging feature is the increased
predominance of sharecropping in smaller holdings has continued. However fixed money contracts show a tendency to grow in all the size-classes between 1981-82 and 1991-92. Thus we note that there is a trend towards moving out of sharecropping as the most preferred form of contract and instead moving in to fixed money contracts. This trend signals towards increased monetisation of transactions in the land-lease market.

Rai et al (2000) on the basis of National Sample Survey (NSS) in different states of India for two years, 1971-72 and 1992 concluded that it is generally the small farmers who rent in land and the practice of renting in land by the large farmers in general is decreasing over time. Along with renting in the share of small farmers in renting out land is also on the rise. However, the practice of renting land in general is decreasing over the years. Among the different types of tenancies in practice, cash renting and fix produce tenancies are becoming more important across the states and holding categories. The share produce tenancy is prevalent in relatively agriculturally less developed states.

Sharma (2000) in a study of village, Dargeel, of Panchrukhi Community Development block of Palampur valley (Kangra district of Himachal Pradesh) which included 65 schedule castes, 9 backward castes and 17 general category households during the year 1999-2000 concluded that almost all the contractual land arrangements in the village were oral and were carried out so that land could remain cultivated and simultaneously some income could be generated. These contracts are on 50:50 output sharing basis.
Shiyani et al (2000) in a study based on primary data collected by survey method of four villages of Junagarh district for the year 1999-2000 gave the following findings. Though the small and marginal farmers are more in number in the leasing-out activities (>82 per cent) as compared to the large farmers (<18 per cent), yet the large farmers accounted for 34 per cent of the total leased-out area by all the sample farmers. The small and the marginal farmers together contributed a lion’s share (>71 per cent) in land leasing-in activities. This is due to the fact that the small and marginal farmers with less access to the irrigation facilities would prefer to lease on irrigated land so as to get an assured income from crop production. All the transactions of leasing out land were made on cash basis and the duration of contract is one year.

Tilekar (2000) in a study covering a sample of 30 landowners and 17 tenants in a typical village Nimgaon Jali (Ahmednagar district) in Western Maharashtra, pertaining to the year 1999-2000 revealed that nearly 50 per cent of landowners had leased their lands to their blood relations while only a negligible proportion (12 per cent) to others. The basis of lease was 50 per cent share of crop produce by the tenant. As regards the period of leasing-out, 40 per cent of the respondents leased out to blood relations for a period of 7-10 years while 33 per cent had changed the tenant every year. Those who changed the tenants every year realised higher receipts. The socio-economic status of both the categories however revealed that the owners were better off on all fronts. It was concluded that the
land was leased out mainly to faithful, close persons, though the benefits fetched are comparatively low.

Tomar et al (2000) on the basis of a study of 120 farmers from eight villages of two different zones of Haryana for the period 1997-99 concluded that most of the leased-in area was only on the large farms particularly in the irrigated zone. In the semi-irrigated zone some leased-in area also existed on small and medium farms. The lease contract invariably was for a year only.

The higher quantum of leased-in land by the large farmers was due to their greater capacity to pay advance cash as rent of the land to the landowner. The availability of other farm resources was not a limiting factor since most of the farmers of all size-groups possessed tractors, tube wells and other farm implements.

Following conclusions can be drawn on the basis of the literature quoted above:

- Crop-sharing is the major mode of leasing at national level which is being replaced with fixed cash tenancy with time. Fixed cash tenancy is the main mode of leasing in the agriculturally developed areas such as Haryana and Punjab. Fixed cash tenancy is practiced in areas with assured irrigation while crop sharing is the main form of tenancy in areas with uncertain irrigation facilities. Marginal farmers prefer share tenancy while the large farmers prefer fixed cash tenancy.
Reverse tenancy has replaced forward tenancy in the agriculturally developed areas.

Tenure of lease has been reported to be seasonal in West Bengal and Kerala while in the rest of the country it is generally on the annual basis. It is for more than one year in case the lessee’s are blood relatives.

Ratio of the rent to the total produce is very high.

Intensity of leasing-in is high in small tenants as compared to large tenants.

Average area leased-in increases with the farm size.

**Factors affecting contractual land agreements:**

There exists a difference in resource efficiency in tenancy and owner cultivation. This is the cause of tenancy. It is argued that in a world where markets for inputs and outputs function perfectly (all inputs are divisible, and there is no uncertainty, households have identical production functions and constant returns to scale operate) there is no need for tenancy.

In real world these conditions are not fulfilled. Prevalence of imperfect markets, indivisible inputs, uncertainty and difference in managerial skills leads to emergence of land lease market. The endowment of resources greatly influences the decisions of cultivators entering the land lease market. The cultivators who are surplus/deficient in factor resources such as family and mechanized labour in relation to land owned may adjust these resources through leasing in/out the land.
Hallagan (1978) argues that tenurial contracts are used as a self-screening device, tenants with high entrepreneurial ability favour fixed rent tenancy while those having no such ability opt for wage employment. The intermediate tenants go for sharecropping.

Ghosh (1981) in a study of two villages of district Burdwan, West Bengal revealed that nature and extent of irrigation were important factors in shaping the character of contractual land agreements. In the areas where the irrigation ratios had increased remarkably due to public irrigation system, tenants happened to be small holders. The large farmers owing to their problems of supervision and management under labour intensive techniques preferred to lease out some portions of their land, while the small and marginal farmers took such lands on lease to optimize the use of their labour power. In other area, where the irrigation water was available from private sources, the supply of land for lease came from the small holders. Because of poor resource base, these farmers were unable to take risk for such a heavy financial investment required for the cultivation of paddy in summer season. The rich farmers with spare machine time entered into the market for renting in lands in order to make better use of their capital assets.

Rai et al. (1981) in a study of fifteen tehsils of Haryana selected randomly concluded that generally the small farmers leased in land in order to make their operational holdings more viable. However, the large farmers also leased in land for optimal utilization of tube well irrigation as tractor power, which they owned in excess of their requirements.
Stiglitz (1989) maintains that sharecropping emerges in response to risk aversion on the part of the tenants. It is a well-known fact that the provision of irrigation facilities reduces the risk and uncertainty associated with the crop production to a large extent. Going by Stiglitzian views that share tenancy is a risk sharing mechanisms, tenants under these circumstances are more likely to prefer fixed rent tenancy. In a similar vein, households with large families, which is a surrogate of the labour force available in the family, and not owning any productive assets like land, bullocks, tractors, are generally poor and more vulnerable to risk and uncertainty. These household are expected to opt for share tenancy because of these vulnerability to risk and also because fixed rent tenancy very often entails advance cash payment.

Birthal (1990) in a study carried out in two districts i.e. Mirzapur and Varanasi (former being a backward while latter a progressive region) concluded that managerial skill emerges as one of the most important factors in the determination of desired cultivable area (particularly in progressive region). On the basis of this, they stress the importance and role of skills in the operation of lease market in the context of developing agriculture. It becomes particularly important in the areas where capitalist tenancy is in the offing.

Taslim and Ahmed (1992) argued in their study “An analysis of Land leasing in Bangladesh Agriculture” that the leasing decisions of rural households are closely related to their land, family worker and bullock endowments. Adjustment difficulties in bullock and family labour necessitate adjustments in
farm area by way of leasing. They further observed that the adjustments were indeed incomplete in Masimpur, but the lease market in Darikandi appears to have been in a state of equilibrium. A reason for this might be that a great majority of the tenants in Masimpur, nearly 70 per cent, were in the lease market for a relatively short period of two years or less and thus did not have the time to adjust fully. But most of the tenants in Darikandi, about 60 per cent, had been leasing land for three years or more and consequently had more time to adjust fully to their desired area.

Mani and Pandey (1995) in a study of Meerut district of Uttar Pradesh state observed that disability served as the reason for leasing out only in 15 percent cases (the earlier land reforms permit tenancy in agricultural holdings only under inability conditions of the landowners, such as of widows, disabled persons, failed persons, military personnel etc.), while the absentee owners and management problems on lands accounted for 70 percent cases. The major reason for leasing out was absentee ness which accounted for 41.7 percent followed by management problem (30 percent), disabled (15.4 percent), casual attitude (7.5 percent) and addiction, gambling etc. (5.4 per cent). On the other hand subsistence accounted for 63.3% of the leasing in followed by utilization of family labour (22.1%), utilization of tractor power (9.2%) and vegetable farming (5.4%).

Sharma (1995) in a study of four villages of two districts (Balasore and Kalahandi) of Orissa concluded that the poverty was the most significant factor affecting the probability of a tenant household opting for share tenancy. However,
the results show that the probability of a tenant household opting for share tenancy is more pronounced in the irrigated villages than the un-irrigated ones. And the results also show that households who own land have higher probability to opt for share tenancy. Family size and ownership of bullocks did not affect the choice of tenancy contracts significantly.

Jairath (2000) in a study of different regions of progressively horticultural state of Himachal Pradesh over two points of time, namely, period I (1980-81) termed as early horticultural revolution period and period II (1990-91) termed as post-horticultural period concluded that most of the variables have positive zero order correlation with leased-in area. The variables mustard yield, tractor index and vegetable yield had a positive and statistically significant correlation. The other variables, which influence the institution of lease market in the hilly area, is tube well index, electricity pump sets, yield of non-food crops, yield of grains and pulses. The results suggest that the institution of lease market may not be influenced by variation in supply of landless agricultural population in a district, land-man ratio, literacy index, irrigation index, mechanization index and co-operative movement index.

Jyotishi et al (2000) on the basis of study of a village in South Orissa concluded that the structure and operation of land market in a less developed economy are complex and defy the general expectations about the behaviour of market. It revealed that the land market functions mainly from the supply side determinants (because often demand side factors are amorphous) and it is the
intensity of land required by the owner, intensity of fund needed for immediate purpose and aggregate cash outflow.

Kaul et al (2000) on the basis of secondary data revealed that gross domestic product in agriculture influenced the leased-in area positively; whereas the level of poverty had a negative impact on tenancy.

Kumar et al (2000) on the basis of a study on contractual arrangements in land and labour markets in Varanasi district of Uttar Pradesh revealed that the respondents of the corporation region have much wider participation in leasing activities than at other distances. Increase in holding size increases leasing-out activities while leasing-in activities decreases considerably with increase in holding size.

Pandey et al (2000) on the basis of a data of selective 40 farmers under major production systems in Haryana revealed the following facts: (i) Besides own holding, the social status of a farmer also seems to be one of the reasons for cash renting of land. Both high caste and the backward caste people engaged themselves in land-leasing practice. (ii) The occupational status, irrespective of land size, seems to be also a reason for leasing-out of land in Haryana.

Pant et al (2000) in a study of 50 villages in different agro-climatic regions of Rajasthan for the agricultural year 1997-98 found that at the state level about 68 per cent of the respondents leased-in land as they have bigger family size compared to land possessed by them, followed by the landless (15.50 per cent) and the respondents who have more farm resources (12.48 per cent) to earn money.
Sharma (2000) in a study of village, Dargeel, of Panchrukhi Community Development block of Palampur valley (Kangra district of Himachal Pradesh) which included 65 schedule castes, 9 backward castes and 17 general category households during the year 1999-2000 concluded that due to lack of proper monitoring and management on the part of the female family members of the landowning households, the contracts were sustained for more than one year and got converted in to tenancy in the village papers in the name of the contract cultivators. Economically and man-power wise weak landowners who have some other compelling needs and could not resort to self cultivation have to forgo a major portion of their small landholding size under tenancy laws to contract cultivators. These were disheartening experiments to the landowners and as a result the landowners now prefer to keep their entire land or a portion of it fallow during the kharif season since the water scarcity still persists and effective manpower continues to be outside the village. With the access of tractor to small fields of village, some seasonal fallow lands are being cultivated for wheat during the rabi season while non-tractor able fallow lands of less productive areas are being allowed to turn in to cultivable waste lands. The contracts for land leasing by actual landowners are now completely avoided in the village.

The paper highlights that in a small-scale low-value agriculture under money order economy, the contractual arrangements for land-leasing have resulted in the distribution of a major portion of the small landholding size of the land owners who out of their village for earning livelihood. The inherent social
pressure on landowners against keeping land fallow has ceased to exist and the future prospects for contractual arrangements are dismal.

Shiyani et al (2000) in a study based on primary data collected by survey method of four villages of Junagarh district for the year 1999-2000 concluded that total owned land and the rate of lease had positive and significant influence on the area leased out, where as the family size influenced negatively. The relative share of all these factors together was about 80 per cent.

Following conclusions can be drawn on the basis of the literature quoted above:

- Irrigation (whether it is assured/uncertain or from private/government source), poverty and entrepreneurial capacity of the leasee are the important factors which influence the mode of leasing. Uncertainty of irrigation, poverty and low entrepreneurial capacity form the base for sharecropping while the vice versa leads to fixed cash tenancy. More tenants are from the small farmer’s category in the canal irrigated (government source of irrigation) area while they are from the large farmer category in the tube well (private source of irrigation) irrigated areas.

- Absentee ness, management and supervision problem, inability (widow, old age, illness etc.) total owned land, rate of lease, size of family and source of irrigation are the factors which influence leasing out of land. Casual attitude, gambling, addiction etc. are minor factors influencing leasing out of land.
Level of capital resources, size of family, self owned land, Irrigation facilities, poverty etc. are the main factors influencing leasing-in of land.

**Effects of contractual land agreements:**

The effect of tenancy relations on agricultural development has remained a persistent theme of discussion since the days of Adam Smith. The moot point among classical economists was the relative productive/allocative efficiency of different land tenure systems such as share tenancy and fixed rent tenancy. Some economists have sought to explain the technological backwardness of poor agrarian economies in terms of archaic production relations. For example, it has been argued that the institution of tenancy, in particular share tenancy, in conjunction with the exploitative inter linkages in credit and labour markets acts as a formidable barrier in the introduction of new agricultural technology.

*Rai et al.* (1981) in a study of fifteen tehsils of Haryana selected randomly concluded that the impact on equity was favourable.

*Athreya et al.,* (1990) in a study of three ‘wet villages (in Tiruchy) observed that the polarization effects of the new technology are not certainly visible. They also cite other studies which show a decreasing rather than an increasing concentration in the ownership structure and little evidence of a rapid rate of proletarianisation.

*Walker et al* (1990) have surveyed two villages each in Mahbubnagar (Andhra Pradesh) and Sholapur and Akola (Maharashtra) for the period 1950-1982
and showed, in general, a decreasing trend in landlessness and a reduction in equalities in ownership even as the mean size of holding has declined during the study period.

Parthasarthy (1991) determined the extent of access to land through reliance on the lease market and found that the area leased in was 8.9 million hectares out of a total estimated owned area of 119.8 million hectares. In terms of area, one half of the total area leased-in was accounted for by the landless and the marginal and another 20 per cent by the small owner group. As in the case of households, the ratio of leased-in area to leased-out area shows an inverse relationship with the size of holding and the class of farmers. The marginal owners show a ratio of 5.89 while the corresponding ratio for large farmers is 0.31. Medium and large farmers, as is to be expected, lease-out much more than what they lease-in. Despite significant leasing-in by large owners the dominating and persisting trend in this group was leasing out. The leased out area of the large farmers is nearly 3 times to their leased-in area.

Mani and Gandhi (1994) in a study of Meerut district (a highly progressive area) found that both marginal and small farmers contribute to the bulk of lease transactions, both on demand side and supply side. The major impact of these transactions is that they result in a sharp reduction in marginal farms and a large increase in small farms. About half of marginal farmers participating seem to lease out and become land less, but about half seem to lease in and become small farmers in operational holdings. After the lease operation, the small farmers
become the largest group in numbers as well as operational land area. The net effect of the lease operation is a considerable improvement in the equity of the operational land holding.

They further concluded that in progressive agricultural areas such as Meerut district, economic viability and advantage under the environment of technology, markets and legal constraints may be favouring small farms, and not so much the marginal of the large farms.

Bhalla (1995) has pointed out that in poor Asian countries; the most effective way to reduce poverty fast is to redistribute productive assets. In predominantly agricultural countries, where self employment is the rule and dependence on wage labour is largely the product of population pressure on more or less fixed cropped area, this implies that land reform should be the first priority in poverty alleviation strategy.

Mani and Pandey (1995) in a study of Meerut district of Uttar Pradesh found that the lessees show better source management and productivity was found to be greater in farms of lessees than the farms of lessors by an amount of 31.5 per cent in wheat, 3.6 per cent in maize, 12.2 per cent in rice, 14.1 per cent in sugarcane and 34.7 percent in case of potato.

Sharma et al (1995) in a study of two districts (Balasore and Kalahandi) of Orissa found that the institution of tenancy, per se, does not appear to have any adverse effect on the use of modern and traditional inputs and level of output both in the agriculturally developed and backward regions and also in the irrigated and
un-irrigated villages. For example, while tenants were relatively more efficient in
the un-irrigated villages, there was no significant difference in the allocative and
productive efficiency of tenant operated farms and self operated farms in the
irrigated villages. There is, however, an imposing evidence to indicate that in both
the regions (developed and backward) and types (irrigated and un-irrigated) of
villages, share tenancy is disincentive ridden and acts as a barrier to the use of
modern and traditional inputs, thereby hindering the process of economic
development.

Jain (2000) et al on the basis of primary data of Punjab collected under a
major project “Comprehensive Scheme to Study the Cost of Cultivation of
Principal Crops in Punjab” for 1981-82, 1990-91 and 1997-98 revealed that the
human labour employed on per cultivated hectare basis has been on the decline
over time in all size classes except the marginal farms and so was the case for
casual hired labour. Assured family labour (family plus permanent) accounted for
a major share of total human labour use in all the farm sizes.

Naik et al (2000) revealed that the productivity of modern varieties of rice
in Orissa was 23 quintals per hectare under owned lands compared to 22 quintals
per hectares in leased-in lands. The farmers in the rain fed situation used less than
the recommended dose of farm inputs like fertilisers, pesticides and other critical
inputs in rice farming, but its use is still less in leased-in lands as compared to
owned lands. But although the farmers in rain fed situation used less of farm
inputs, the tenant farmers incurred about 30 per cent less cost than their
counterparts who tilled their own lands. The study suggests that owner operated land produces significantly higher rice than in the leased-in lands, the reason being the use of higher doses of manure, fertilizers, pesticides and labour in owned lands than in leased-in lands.

Rai et al (2000) on the basis of National Sample Survey (NSS) in different states of India for two years, 1971-72 and 1992 concluded that tenancy has positive and significant effect on resource allocation of land and efficiency and crop productivity. The practice of retaining ownership renting it out is economically sound in view of the appreciation in land value and the social prestige it provides to the owner.

Tilekar (2000) in a study covering a sample of 30 landowners and 17 tenants in a typical village Nimgaon Jali (Ahmednagar district) in Western Maharashtra, pertaining to the year 1999-2000 revealed that the productivity of crops on tenant's own land was higher than their counterparts.

Following conclusions can be drawn on the basis of the studies cited above:

- Human labour employed on per cultivated hectare basis has been on the decline over time in all the size-classes except the marginal farmers.
- Assured family labour (family plus permanent) accounted for a major share of total human labour in all the size-classes of farms.
- Effect on equity is favourable as a result it is considered to be an important tool in poverty alleviation strategy.
- Effect on productivity shows contradictory results.
- Tenancy does not seem to have any adverse effect on the use of modern and traditional inputs and level of output. But share tenancy is disincentive ridden and acts as a barrier to the use of modern and traditional inputs, thereby hindering the process of economic development.

- Positive and significant effect on resource allocation.

**Policy implications contractual land agreements:**

Haque (1987) revealed in his study that during 1971-72 to 1981-82, the concentration ratio of pure operational holdings (excluding those who did not operate any land) increased in almost all the regions excepting Andhra Pradesh and Himachal Pradesh, implying thereby an increasing involvement of large holdings leasing-in land from the marginal and small ones. The study further showed that the proportion of landless households to total rural area households increased from 9.6 per cent in 1971 to 11.3 per cent in 1981 in the country as a whole. Besides, the rising proportions of landless, semi-landless and marginal households in the majority of the stats should be a matter of serious concern for our planners and policy makers because the rates of labour absorption in both the agricultural and non-agricultural sectors of these regions are not adequate of meet the challenge posed by the rapid growth of landlessness.

Bansil (1992) observed in his study that tenancies in the PEPSU area of Haryana are regulated by the PEPSU Tenancy and Agricultural Land Act, 1955,
and in other areas of Haryana by the Punjab Security of Tenure Act, 1953, as amended from time to time. The tenancy legislation in Haryana resulted, as in many other parts of the country, in only changing the status of tenants to sharecroppers, while was not in any way better than the farmer. The success of land reforms in Haryana so far has been marginal. Landlords have adopted various methods and successfully evaded various laws. The cases studied suggest that the consolidation of holdings has been carried out to the disadvantage of the poorer tenants. There is neither security for tenants nor regulation of rent prevailing in the state. What the records contain are the fake or benami, transfer of land. The success of the Green-revolution has contributed to better off farmers trying to increasing the size of their operational holdings through leasing in land.

Vaidyanathan A. (1994) says that a section of economists feel that existing ceiling laws, restrictions or prohibition of tenancy, and severe restrictions on the entry of corporate enterprises into agriculture are impeding the effective use of latest know how. A local lobby has emerged in favour of allowing large scale corporate enterprises including MNC’s to develop forestry, aquaculture, horticulture and similar other lines of production.

These economists feel that the attempts of achieving a wider diffusion and more equitable distribution of land ownership through land reform legislation have not been particularly successful. Even as failure of land reforms has led to disenchantment, a case is sought for reversing the thrust of these reforms basically on two grounds.
a. It is unfair to impose a ceiling on agricultural land holdings when no such ceiling are imposed on non-agricultural assets and when maximum income that can be earned even by ‘large’ holdings compared unfavourably with the incomes of the lowest paid employees in the organized non-agricultural activities.

b. The effective exploitation of the potentials of new technology requires sophisticated managerial skill, which large sized farms with sufficient access to complementary resources have, and small farmers do not.

Vaidyanathan opposes the above point of view on the following grounds:

a. Incomes depend not merely on area owned or operated, but much on land quality, water availability and bio-chemical technology. This argument gains strength when we consider that there is no evidence of significant economies of scales in agriculture. The focus should therefore be on the above suggestions rather than increasing the area owned or operated.

b. Most elements of biochemical technology especially, seeds and fertilizers are divisible and there is strong evidence that their impact is scale neutral.

c. There is enough evidence of successful application of modern technology and good management by the small farmers even in sophisticated lines of agricultural production.
d. Handing over wasteland to corporate in the name of scientific forestry would on one hand devoid the people in the area of fuel, fodder and other useful products for their livelihood, which they get from such land, and on the other hand it can have adverse effects on biodiversity and ecological balance of the area.

e. Removing ceilings and paving way for large-scale alienation of small and marginal farmers will have grave consequences for rural society. A gradual and spontaneous process such as reverse leasing and eventually small holders selling their land as they get better alternative opportunities is much preferable to a precipitous disruption of existing pattern.

f. The disadvantage of small holding size are not so compelling provided other productivity augmenting material and technological inputs are growing in volume and improving in quality and these inputs are accessible to all classes of farmers. This involves: (i) Improving soil-moisture environment. (ii) Generation and diffusion of improved varieties and practices through research and extension. (iii) Arrangements for production and supply of material inputs, along with credit and marketing facilities.

Johl (1995) discussed the question of agrarian reform to bring about an increase in farm size in order to make farming commercially more viable. It was suggested that the Land Ceilings Act and agrarian laws need to be reviewed to
provide the much needed impetus to growth and development in the agricultural sector and a strong and functional land market also needs to be developed.

Jain (2000) et al on the basis of primary data of Punjab collected under a major project “Comprehensive Scheme to Study the Cost of Cultivation of Principal Crops in Punjab” for 1981-82, 1990-91 and 1997-98 revealed that Human labour employed on per cultivated hectare basis has been on the decline over time in all size-classes except the marginal farms and so was the case for casual hired labour. Assured family labour (family plus permanent) accounted for a major share of total human labour use in all the farm sizes.

Goyal et al (2000) on the basis of data collected from National Sample Survey (NSS) and *Statistical Abstract of Haryana* at different points of time, viz., 1971-72, 1981-82 and 1991-92 concluded that suitable legislation is needed for making the leasing-out of land easy without any risk to lose land by the owners. This will help a lot in making the optimal use of land and other critical inputs for maximization of returns.

Naik et al (2000) on the basis of study of Orissa agriculture concluded that the existing tenurial system does not provide incentives to the tenant farmers. They lack credit facility due to which they fail to utilize proper quantity of critical inputs like fertilizers, insecticides, high yielding varieties and labour in leased-in lands. Also over the years labour has been expensive and as such a land improvement through shifting of soil has become costly. So the tenant farmers do not go for land improvement measures on the leased-in lands and without their
maintenance, the rented parcels deteriorate and become marginal leading to poor yield.

Considering poor resource base, lower productivity, poor land management including development, the present tenure system needs to be changed. A major section of people involved in agricultural activities can be diverted to other specialized works. All these activities are interlinked and meant for mutual benefit. In such cases, the tenure system of farming should be converted to contractual arrangement and this may be legalized, so that tenant farmers get facilities of institutional credit, insurance and other key inputs while operating the land. These arrangements will reduce the number of persons engaged in field activities.

Pandey et al (2000) after analysing a data of selective 40 farmers under major production systems in Haryana came to the conclusion that the policy implication of the study is that concerted efforts are needed by the planners and the policy makers to devise and regularize a suitable form/system of land-lease market, so as to mutually benefit both the players of land-leasing.

Rai et al. (2000) in a study based on the National Sample Survey (NSS) in different states of India for two years 1971-72 and 1992 concluded that the nature and extent of tenancy contracts in peasant economy depend not merely on the conditions of land market but also on conditions in related market, particularly of wage labour and credit. However, the tenancy regulatory measures adopted by the federal as well as state governments in association with fast declining land-man
ratios and massive technological improvements in agriculture have considerably changed the objective functions in which tenancy now operates. There is, therefore, a need for a fresh and closer look at agricultural tenancy.

Johl S.S. (2001) is of the opinion that in globalized economy, progressively being developed under the WTO regime, the subsistence farming cannot be expected to compete cost effectively. The WTO regime is bound to cause catastrophic tribulations in the farm sector. The veritable answer to the problem is to create conducive environment in our agricultural sector that promotes commercial farming and minimizes the recourse to subsistence farming.

The first pre-requisite is that an effective land market must be developed that allows the viable farm units to grow. A land lease market must remove existing apprehensions of losing the land if leased out for longer periods. Also to the extent, through the earlier phases of land reforms, the surplus lands have been distributed amongst the landless families, these so called farmers must be helped to exit their tiny unviable pieces of land held by them in fractions of acres through providing them with an access to gainful employment outside the farm sector.

Once this process gains momentum, the farm units that become commercially viable through purchase and for long term lease of adjoining lands, will start generating more employment within the farm sector also For this purpose the agrarian laws of the land must got suitably amended that facilitate creation of effective land market. In the absence of such on enabling environment, other
actions and steps taken to remedy the situation will remain only inconsequential palliatives.

Further the organization aspect of the farm sector reacquires considerable reform. For commercial farming, the operational units have to be large enough that are able to reap economics of size and scale. Small and marginal forms, which comprise two thirds of forms in India, have to be therefore, organized to operate jointly as large units both on the production as well as market front through provision of rightly period services of lumpy resources such as tractors, implements, harvesters, thrashers, tube well water for irrigation, overhead sprinklers, etc.

This can be achieved effectively only if the ownership of these lumpy resources in the form of service centers vests with agricultural processing units/organizations/companies operating in the private sector or privately managed joint sector. This will be an effective way of introducing commercial content into the otherwise subsistence farm units.

Planning Commission (2001), states that in pursuit of a strategy for achieving 8 per cent growth in the Tenth plan will call for bold departures from existing policies. It underlines that there is little possibility of increase in cultivated area in the country, and indeed perhaps an eventual decline as urban demand and environmental imperatives lead to conversion of some agricultural land. There is therefore no alternative but to focus on raising the productivity of our land & water in such a manner, which is sustainable over longer term. For this,
it will be essential to evolve a comprehensive land use policy that will layout the contours of the ownership and institutional framework that will encourage the productive utilization of such lands.

Further more, in order to optimize the utilization of our land resources, State governments may take such initiatives as deemed appropriate to remove impediments coming in the way of productive utilization of cultivable land, including tenurial reforms.

It also underlines the need for small and marginal farmers led growth. According to paragraph 3.13-“Intensity of private capital is in fact increasing for all classes of farmers, but at a faster pace in green revolution areas and for large farmers”. Thus the weight of fertilizers, pesticides and diesel that accounted for a mere 14.9 per cent of total input in 1970-71 in the country increased to 55.1 percent in 1994-95. For a large farmer in commercialized regions it could be as high as 70 per cent. But the proportion of output sold has increased at a much slower rate than the proportion of monetised inputs, including higher labour. The implication of this is a resource squeeze in agriculture. Growth in non-farm sector has become very sluggish. It is not surprising that repayment of loans is such a problem in Indian agriculture that has even led to suicides in some case. A better strategy would be to concentrate on small and marginal farmers, and on eastern and rain fed areas where returns to both capital and labour are high. The need is also for better factor productivity in agriculture or of new technological breakthrough, which would be more labour intensive and would cut cash costs.
The following conclusions can be drawn on the basis of studies discussed above:

1. There is a need to change the existing tenancy laws because
   - Existing tenurial system does not provide incentives to tenant farmers as a result they do not go for land improvement measures on the leased-in lands and without their maintenance, the rented parcels deteriorate and become marginal leading to poor yield.
   - Fast declining land-man ratios and massive technological improvements in agriculture have considerably changed the objective functions in which the tenancy now operates.
   - It is increasingly felt that subsistence farming cannot be expected to compete cost effectively in the new environment created by sweeping changes in the overall economic scenario both at national and international level.
   - There is little possibility of increase in cultivated area in the country; therefore, the focus should be on increasing productivity of land. Re-assessing the institutional setup governing the land use policy can greatly help in this direction.

2. It is concluded from the above studies that there exists a sharp division amongst the economists on the issue of permissible area in relation to the self-owned, leased-in or mortgaged land under the present tenancy laws. They can be grouped into two categories.
A. Studies which suggest such changes in the tenancy laws which would lead to large scale capital intensive farming. They do so on the following grounds:

- It would infuse the latest know-how in agriculture.
- Only large scale capital intensive farming can compete effectively in the international market of globalized world of coming days.
- It will start generating employment within the farm sector after some time through setting up of agro-based industries.
- The lumpy resources such as tractors, implements, harvesters, thrashers, tube wells etc. can be used effectively.

B. Studies which suggest changes in the tenancy laws which would support small farmer led growth. They do so on the following grounds:

- Absorption rate of labour in the secondary and tertiary sector is too low to absorb the mass scale displacement of labour which would be caused due to adopting large scale farming in Indian agriculture.
- There is no evidence of significant economies of scales in agriculture as elements of bio-chemical technology especially, seeds and fertilizers are divisible.
- There is enough evidence of successful application of modern technology and good management by the small farmers even in the sophisticated lines of production.
The disadvantages of small holding size are not so compelling provided other productivity augmenting factors such as knowledge, credit and market facilities are accessible to all classes of farmers.

3. Therefore a suitable legislation is suggested by different studies for making

- The leasing out of land easy without any risk of losing land by the owners.
- Converting tenure system in to contractual agreements and legalizing it, so that the tenant farmers get facilities of institutional credit, insurance and other key inputs while working on land.
- Removing the time limit on it so that the land development can be carried by the lessee.