INEQUALITY IN LAND HOLDINGS AND AGRICULTURAL DEVELOPMENT IN INDIA - A REGIONAL ANALYSIS

by

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1. Economic and social inequality has been a bane of modern civilisation, since the time of recorded history. These inequalities have existed among Nations and within Nations, among regions as also between different sections of population. In India, the existence of vast inequalities in income and assets have received wide attention both by the scholars and policy makers. In fact, the various Five Year Plans in India have set economic growth with social justice as the major objective of planned development.

2. It is recognised that mal-distribution of the means of production among different classes of people results in inequality in access to credit, material inputs, technical knowledge, extension advice etc. The most sensitive factor influencing the pattern of distribution of rural income in countries like India is the pattern of distribution of land which creates problem of privilege, status and power. In India, farm lands constitute 80 per cent of agricultural assets in rural households.

3. Before Independence, even though not much quantitative studies relating to the impact of a given pattern of land distribution on agricultural development and growth
were undertaken, it was fairly well known that institutional reforms including land reforms were necessary to release the productive forces in the agricultural sector.

4. With the availability of farm level data from the Farm Management Studies, since the mid-50s and their analysis in the beginning of the 60s, certain structural relationships between farm size and unit area yields were considered. However, this debate did not cover the whole pattern of distribution of land holdings by size-level of holdings and its impact on agricultural development and growth. Nor did this debate consider the factors behind the emergence of a particular pattern of land distribution.

5. We have developed several hypotheses in order to analyse the inter-relationship between inequality in land holdings and the various technological and structural variables. An important relationship in this context refers to inequality in land holdings and crop output growth. It is recognised that this is a rather complex relationship. In this context, it has been hypothesised that the existence of inequalities in land distribution could become a barrier to the process of growth of crop output due to structural rigidities and constraints. Thereafter, we have examined the hypothesis that technology-led crop output growth may lead to inter-class economic disparities as well as inter-regional disparities in
per hectare yields. Furthermore, we have also tried to find the other determinants of land inequality with the help of a study of variables like (i) average annual rainfall, (ii) gross irrigation ratio, (iii) hired workers ratio, (iv) per acre agricultural workers (v) average farm size (vi) per cent pure tenancy area (vii) per cent mixed tenancy area, etc.

6. Examination of the inequality trends in rural income during 1951 to 1971 has revealed no clear-cut trend indicating either consistent increase or decrease. As regards the change in the distribution of land, it has been stated that since the mid-fifties, small and marginal holdings have gained an importance, while big and large farmers, relatively speaking, lost their importance. Available evidence regarding the relative role of land reform measures vis-a-vis market transactions in affecting the pattern of land distribution has been examined and it was found that in Punjab and Bihar, market transactions have been more important in influencing the pattern of land distribution. In Gujarat and Maharashtra, land reforms have played a more important part in affecting the land distribution.

7. One of the hypotheses examined was that the existence of inequalities in land distribution in the presence of structural rigidities and bottlenecks could become a barrier in the process of growth of crop output. This hypothesis, by and large, seems to hold good for the period of British
rule in India, particularly for Eastern India. Around 1970-71, land inequality had a significant but negative impact on crop output growth in Uttar Pradesh. In the other regions, like Punjab and Haryana, with the development of new agricultural technology and with the development of state patronised financial agencies, technological variables vis-a-vis land inequality variable seem to have an upper hand in explaining crop output growth.

8. Thereafter, we have examined the hypothesis that technology-led crop output growth may lead to inter-class economic disparities as well as inter-regional disparities in unit area yields. In this exercise, it has been found that technology-led crop output growth has led to inter-regional disparities in terms of unit area yields among crops and even for the same crop. We have also tried to show that technology-led crop output growth through the mechanism of surplus generating capacity of big farmers coupled with the deficit situation of small and marginal farmers could pave the way for inter-class inequalities.

9. Further, we have tried to find out the impact of selected technological, structural and productivity variables on land inequality, using district level data for Bihar, West Bengal-Assam, Orissa and Rajasthan. We have found that in Bihar, productivity variable in combination with average farm size, pure tenancy area ratio, and hired workers
ratio were important explanatory variables in explaining variations in land inequality. In West Bengal-Assam, it is the density variable as reflected by unit area workers or average farm size, which were dominant variables. In Orissa, pure tenancy area ratio emerges as the most sensitive variable in explaining variations in land inequality. In Rajasthan, average farm size and mixed tenancy area ratio come out sharply as the dominant variables. An important point which emerges from this district level analysis is that water supply variables may influence structural variables, which, in turn, may influence the pattern of land distribution. Land inequalities may, in turn, influence the creation of physical irrigation assets and through this process, may add to asset inequalities.

10. Another point emerging from the district level analysis is that an increase in unit area crop productivity may tend to reduce land inequality in areas where exploitative tenancy tenures are prevalent as seems to be the case in Bihar and Orissa. As against this scenario, unit area crop productivity may influence land inequality positively in regions where irrigation is influencing both the pattern of land distribution as well as productivity as seems to be the case in Rajasthan.
Thereafter, we have examined certain policy options for reducing rural economic inequalities. At the end, certain suggestions have been made for filling up certain data gaps, which, if filled, could help us in understanding the precise contours of rural economic inequalities and for improvement in the methodology of agricultural planning at present being followed in the Indian Planning System.