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Changes in Land Ownership Pattern -
An Aspect of Structural Change in
Indian Agriculture

by

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Changes in Land Ownership Pattern - An Aspect
of Structural Change in Indian Agriculture

V. S. Vyas*

The agrarian system in a country reflects the in attributes of production units and their mutual alignment. Since these are not independent of each other, factors influencing one aspect of the system also affect other aspect as well. However, those favouring structural changes generally stress upon changes in the relative position of different categories of agricultural producers as a precondition for increasing agricultural production. It is recognized that structural changes are not relevant in some cases and other reforms, i.e. organizational changes or policy measures, are more important. It is also understood that, without appropriate supportive measures, gains of structural changes can soon evaporate. While there is substantial agreement on these aspects among students of agrarian systems in this country, there is no such unanimity on processes by which structural changes are brought about. An undue emphasis on legislative or 'extra-constitutional' sources of change is seen in the literature on the subject (Joshi, 1975). Other important determinants, e.g. market transactions and demographic factors, are generally not given due importance. In this paper, we will be examining changes in the structure of land holdings in India during 1960s, various processes by which the changes have come about, and the underlying causes which could explain these changes.

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The structure of production units in agriculture can be classified on the basis of size of land holdings, gross or net produce, value added, capital employed, extent of wage labour, extent of marketable surplus, gross or net worth of the enterprise, and so on. As in other countries, Indian economists are not satisfied with a unidimensional measure of classifying production units in agricultural sector. The holdings, for example, have been classified on the basis of area covered, in terms of gross product, gross and net worth, and extent of wage labour (Vyas, 1968; Rudra et al., 1969; Mishra 1975). Yet the predominant form of classification has been on the basis of acreage. This is partly because data on size (acreage) of the holdings are most readily available and a whole set of information, e.g. land utilization, cropping pattern, yield etc., is related to the size-class of the holdings. Another reason for the bias towards size of holdings is that, in Indian villages, control over land, and control and authority over local level institutions usually go together. Access to other factors of production is largely determined by the size of land holdings (Vyas, 1976). Income differences in relatively homogenous rural areas can be better explained by the size of land holdings than by other important variables (Repparto and Shah, 1975). No wonder, therefore, that in any scheme of structural reforms in agriculture the state intervention is expected, in the first instance, to affect changes in the size pattern of land holdings.

By selecting size as the principal classifying element, comparability between different classes of production units is not automatically ensured. Quality of land, tenurial arrangements, and the intensity of land use may differ significantly for different size groups. If coverage is large, say, the whole country, one is probably justified in assuming that intra-class differences are statistically less significant than inter-class difference, and, hence, changes in the relative position of different classes of holdings can provide meaningful insight into the functioning of agrarian system. For these reasons, agrarian categories are identified in terms of size groups of land holdings in this paper.

II. Changes in Holding Pattern:

The reports of various rounds of National Sample Survey (NSS) are the principal source for obtaining an all-India picture of the distribution of land holdings. Under four different rounds of NSS, land holding pattern in India has been investigated: eighth round (pertaining to 1953-54), sixteenth round (1960-61), seventeenth round (1961-62) and twenty-sixth round (1970-71). For 1970-71, a census of holdings was also conducted as part of the world-wide Agricultural Census, a project sponsored by the FAO to obtain information from its member countries on various aspects of agricultural economy. The findings of the census, especially on ownership holdings, are not

comparable with those of the NSS owing to differences in concepts and methodology (Sanyal, 1976). Partly for this reason, but also because only the NSS provides comparable information over a period of time, we have relied on the data collected in the seventeenth and twenty-sixth rounds of the NSS for our study.

From the viewpoint of agrarian relations the decade 1961-70 is very important for several reasons, the more important being the following. (1) By the beginning of 1960s, the tenancy reform phase of land reform programme was virtually over; practically in each state the principle of "land to the tiller" was incorporated in land reform legislation. (2) Two distinct waves of land ceiling legislation, one more drastic than the other, swept the country - the first in the beginning years and the second, a more stringent one, in the closing years of the decade. (3) Since 1964-65, a new strategy of agricultural development was introduced in the country which yielded bountiful results in some parts of the country. (4) Terms of trade started moving in favour of agriculture since early 1960s and, by the closing years of the decade, the trend was firmly established. (5) In spite of three "plan-less" years in the decade, the public outlay in agriculture was fairly large. (6) Several organizational innovations such as Intensive Agricultural District Programme (IADP), rehabilitation of cooperative movement, introduction

of panchayati raj (the system of democratic decentralization), etc. were introduced with the objective of strengthening supportive systems and ensuring agricultural development.

While these developments were meant to help agricultural growth, the net outcome, judged in terms of production, was not at all satisfactory. The rate of growth in agricultural production was 3.6 per cent a year during 1950s, which came down to 2.2 per cent a year in 1960s. Nor the industrial growth could pick up enough momentum to make a dent in rural unemployment and underemployment. While the causes and consequences of the slow rate of growth in agriculture in spite of several favourable factors need careful examination, this paper is restricted to the examination of the nature of changes in land ownership, and only by implication relates some of the developments listed above to these changes.

Use of ownership holdings to highlight aspects of structural change need some explanation. Land is the most important asset of farmers, in India. A change in the land holding status reflects, more accurately than any other index, the relative prosperity or destitution of various classes of Indian farmers. In production process, contribution of land as a factor of production is still predominant. Lastly, political power and economic hegemony in Indian villages revolves around land ownership.

Table I gives distribution of land holdings owned by households in 1961 and 1971 as revealed by the seventeenth and twenty-sixth rounds of the NSS*. One way to gauge changes in the holding structure is to calculate the concentration ratios for two distributions, i.e. the land holding pattern obtaining in 1961-62 and that obtaining in 1970-71. The calculation of Gini-coefficient shows that the land holding structure had become slightly less skewed (from 0.525 to 0.512)** by the end of the decade compared to the early years. However, the concentration ratio may conceal more than what it reveals. There are various ways in which value of concentration ratio may increase without in fact meaning an enlargement of the bigger holdings at the cost of the small sized holdings. For example, medium size holdings may expand in number and area at the cost of small and large holdings and may thus raise the coefficient of concentration. It will be necessary, therefore, to take a close look at the actual changes in different size groups of holdings (Dantwala and Rao, 1974).

To facilitate inter-class comparison, we have consolidated size groups of holdings reported in NSS rounds in five categories; marginal land owners (those owning less than 1 acre); small land owners (owning land between 1 and 5 acres); medium land owners (5 to 15 acres); big land owners (15 to 50 acres); and large land owners (owning more than 50 acres of land). Following facts emerge

* In subsequent discussion, 'holdings' and 'households' are used synonymously. Since the proportion of jointly owned holdings in the NSS sample was very small (Sanyal, 1976), such usage would not vitiate the results.

**Gini-coefficient can vary slightly depending on the exact formula used. In above calculations, formula used is that given by Kendall & Stuart. See M.G.Kendall and A.Stuart, *Advanced Theory of Statistics*, Vol. I, p. 46.

from the study of data for 1961-62 and 1970-71 (see Table I).

- (1) The number as well as proportion of households in the marginal holding group have significantly increased.
- (2) Acreage under marginal holdings has slightly declined.
- (3) The number of small land owners has increased, but their importance in terms of proportion of total number of land owners has marginally declined.
- (4) Area under small holdings has increased both in acreage as well as in proportion to the total owned area in the country.
- (5) In numbers, total area and per household area, medium sized holdings displayed trends more or less similar to small sized holdings.
- (6) The number as well as proportion of big and large holdings have declined.
- (7) Acreage under big and large holdings has declined both in absolute terms and as proportion of total acreage.

Thus, an impression is created that during 1960s small and medium holdings gained in importance while big and large holding groups, relatively speaking, lost their importance. This is brought out more sharply in Table II, which gives increase (decrease) in number and area of holdings in different size groups.

III. Factors Underlying Structural Change

There are various ways by which these shifts in relative importance of different size groups of holdings could have come about. And there is no way of knowing precisely how this has happened. There could be a "ladder" process functioning in an upward direction or in a downward direction. In the positive, i.e. upward, manifestation, it could mean landless workers acquiring land and becoming marginal land owners, marginal land owners acquiring more land and becoming small land owners, and small land owners by the same process emerging as medium land owners. The ladder can work in reverse direction also when medium owners lose land and swell the ranks of small land owners, small owners are pushed to marginal owner category, and marginal owners join the ranks of landless. At least one carefully conducted study, in Gujarat, has concluded that there is some evidence, howsoever feeble, of a positive ladder from landless workers to small land owner stage (Dantwala and Shah, 1971).

In the absence of similar studies for other parts of the country,* one can examine a few relevant hypotheses with the help of aggregate data and indirect evidence, explaining the changes depicted in Tables I and II. As possible explanations one can suggest (1) purchase of land by marginal and small land owners and sale of land mainly by large and

* There is a study focussed on operational holdings in Haryana, which has concluded that small farmers were losers in terms of operated area (Bhalla 1977). The issue we are discussing pertains to owned area.

big owners; (2) impact of land reforms and movement of similar nature like bhoodan, "land-grab," etc. resulting in breaking up of large holdings and allocating of land to small owners; and (3) demographic pressure necessitating division of holdings. These could be identified respectively as market induced, institutional, and demographic processes.

Before discussing these processes, it needs to be emphasized that inter-class comparisons attempted above may conceal significant intra-class movements as well as information on 'entry' and 'exit' in different size groups. Lack of relevant information precludes any systematic construction of a transition matrix. However, relative shifts in importance of different size groups at two points of time as attempted above is an important indicator of structural change in the holding pattern.

Market Processes: Even in developed countries, market transactions in agricultural land are not numerous. In traditional societies, such transactions are all the more limited because until a dire need arises a peasant would not like to sell his land. Provisions of various legislations enacted in recent years also contributed to the "freezing" of the land market in India, e.g. a scheduled tribe land owner cannot sell his land to a non-scheduled tribe person. In spite of these factors, at least till mid-1950s there was some evidence of land sold by small and medium land holders and purchased by large and

absentee landlords (Rao, 1972). The classical pattern seemed to be, indebtedness due to natural calamities or social ceremonies leading to hypothecation of land with money lenders (who in many cases were big land owners) and eventual transfer of the land to money lenders or bigger landlords. During 1960s this process seems to have come to a halt. I have explained elsewhere possible reasons for discontinuation of this pattern (Vyas, 1976). Briefly, the fear of ceiling legislation acted as a brake to further expansion of holdings of big and large farmers. Opportunities for further intensification of farming in several parts of the country lured cultivators with large liquid resources away from purchase of land. Tenancy legislations in a number of states made process of buying lands by the erstwhile tenants easy, and this process is well documented for the western region of the country (Dentwala and Shah, 1971; Desai, 1974). For similar developments in other parts one has to rely on localized surveys and studies. Available evidence suggests that land market tended to work in favour of small and marginal land owners rather than against them.

Institutional Changes: It would be wrong to assume that market forces alone, or in main, were responsible for obtaining results noted above. Land market was supplementing the efforts of land reforms which played a much larger role in influencing ownership pattern. Directly, the imposition of ceiling on holding and

allotment of surplus land among landless led to diminution of bigger holding class and creation of small holdings. It is wellknown, however, that direct transfer of land was not a quantitatively significant phenomenon, the total area of surplus land redistributed among the landless till the beginning of 1970s amounting to hardly 1 million acres. Indirect pressure exercised by the legislation was more important. In spite of fictitious transfers and other devices employed by large land owners,* enactment of land ceiling legislations led to large scale disposal of land by big land owners, particularly the absentee owners, to forestall the effects of legislation. Since tenancy legislation gave the right of purchase of land to the cultivating tenant, this process was further accentuated. However, the process did not unfold itself in a neat fashion. There were large number of cases of ejection of small tenants as there were numerous cases of acquisition of land by tenants. During 1950s and 1960s, a remarkable shuffle took place in the countryside. It is yet to be fully documented though there is strong evidence to suggest that, in large parts of the country, small land owners and the landless were not gainers in this process. Small owners could retain their holdings against the machination of large farmers and they, as well as the landless, were the main beneficiaries once larger farmers decided to dispose off part of their land to be on the right side of the law. Movements such as bhoodan and land grab,

* A keen observer of rural social scene, V.R. Gaikwad has maintained that such de jure transfers have a built-in tendency to become de facto partitions (Gaikwad, 1975).

though by themselves did not benefit small and marginal farmers in a measurable way, did contribute in creating a climate such that the large farmers thought it wise to dispose-off parts of their land. Factors which led to a diminution of holding size or encroachment of a poor farmer's land by the rich farmer proved to be weaker than those which were working in favour of small farmers or landless labourers (Vyas, 1962; Dantwala and Shah 1971; Rao, 1972).

Demographic Pressures: While increase in area under small holding groups - and retention of area in the marginal holding group - could be explained by market and the institutional processes, increase in their number is basically due to population increase in cultivating households and lack of alternative employment opportunities in the countryside. An expansion of the household or, more commonly, death of the head of the household, leads to division of holdings among legal heirs. Unfortunately, there are no systematic studies of the household dynamics in the rural areas to arrive at a precise measure of sub-division of holdings over a period of time due to demographic factors. In the absence of such studies, one could only arrive at a rough approximation of the changes in the number of agricultural holdings due to population pressure.

On the basis of what may be considered as realistic assumptions, we have estimated the likely increase (from 1961 to 1971) in the number of holdings in different size groups due to expansion in the number of

households and have then compared it with actual number as revealed in the twenty-sixth round (see Table III). It may be noted at the outset that, in this exercise, households and holdings are taken as coterminus, i.e. jointly owned holdings are ignored. The estimates are arrived at on the following assumptions:

- (a) the rate of growth in population of different size groups was same and that the rate was equal to the rate of growth in population in rural areas between 1961 and 1971 as revealed in the 1971 Census;
- (b) the size of households for different groups as given in the seventeenth and twenty-sixth round of the NSS for the operational holdings holds true for size of households for ownership holdings in the same size class (this assumption had to be made since the seventeenth round did not give size of households according to ownership holdings).

Based on these assumptions population in different holding groups was worked out for 1961 by multiplying number of holdings with the size of household (as given in 16th round). It was projected for 1971 at the rate of 2.18 per cent annum. Projected population was converted into number of holdings by dividing the population by the size of households (as given in 27th round). This gave the "expected" number of holdings for each size group in 1971. The expected number of holdings was compared with actual number of holdings in 1971.

It is clear from Table III that in case of marginal holdings the actual number of holdings is more than the expected number of holdings. This means that a large number of new marginal holdings was created, apart from those which came about due to partitioning of households. In other size groups, the trend was just the opposite, i.e. the expected number of households was more than the actual number, suggesting net migration from other size groups. The increase in the number of marginal holdings, a substantial part explained by demographic factors, could be either by what we have described earlier as the reverse ladder process or by landless households acquiring small plots of land. From our discussion, the latter seems to be a more plausible explanation. Similarly, a reduction in the number of large and big holdings could be either due to migration of the households, or, more probably, division of land holdings sliding them in the lower size group. It bears repetition that the synoptic picture presented above conceals intra-size group changes, it also does not provide an accurate description of the 'entry' and 'exit' from one size group to other. Its chief merit is in presenting the final position after inter and intra size group changes have been worked out.

Summing Up

Above analysis in terms of the country as a whole weakens the utility of observations once one realizes the vastness and diversity of India. Yet certain important conclusions follow from this review

of structural changes in holding pattern. It is suggested that, even in our present system, enough pressures could be generated by legislative and administrative processes enabling small producers in the countryside to hold on their own. Impulses released by these reforms could be cumulative. Land market could be induced to function in a way beneficial to small and marginal farmers. The reform measures may also create a climate in which non-legislative redistributive movements could gather momentum. But these rather favourable factors would not prove adequate for raising productivity, generating surpluses in agriculture and triggering off a process of absorption of additional work force of small and marginal land holders' households in gainful non-agricultural activities. The Indian experience of recent years is important in as much as it shows that the hegemony of rural rich can be challenged by a combination of legislative, market induced, and 'extra-constitutional' moves, but a different approach and strategy is required to enable small and marginal farmers to consolidate their gains.

Table I : Estimated Number of Households and Area Owned by Different Size Groups of Holdings (All India)

Size Group of Ownership Holdings	No. of households & area owned (in '000)					
	1970-71		1961-62		No. of household holds	Average area owned (acres)
	No. of household holds	Area owned (acres)	No. of household holds	Area owned (acres)		
Marginal (below 1 acre)	35640 (43.99)	4910 (1.58)	6414	23579 (36.84)	5062 (1.59)	0.21
Small (1 - 4.99)	27415 (33.83)	71158 (22.86)	2.60	22468 (35.11)	58465 (18.39)	2.60
Medium (5.0 - 14.99)	13564 (16.74)	112464 (36.13)	8.29	13002 (20.32)	109703 (34.51)	8.44
Big (15 - 49.99)	4058 (5.01)	96356 (31.12)	23.87	4514 (7.05)	109252 (34.37)	24.20
Large (50 & above)	350 (0.43)	25856 (8.31)	73.87	437 (0.68)	35379 (11.13)	80.96
Total	81027 (100.00)	311245 (100.00)	3.84	64000 (100.00)	317861 (100.00)	4.97

Note: Figures in parenthesis are percentage to total.

Source: NSS No. 144, 17th Round for 1961-62 and NSS No. 215, 26th Round for 1970-71 - Tables on Land Holdings.

Table II: Increase/Decrease in Number of Holdings and Area Owned
by Different Size Groups of Holdings in 1970-71 above
1961-62

Ownership of Holding	Difference in 26th Round over 17th Round	
	No. of holding (000)	Area Owned (000 acre)
Marginal	12061	- 152
Small	4947	12693
Medium	562	2761
Big	- 456	-12396
Large	- 87	- 9523
Total	17027	- 6616

Source: Same as Table I.

Table III: Expected and Actual Number of Households in Different Size Groups of Holdings

Size Group of Ownership Holding	1961-62		Estimated population for 1971	1971-72		Difference A - E	
	No. of households (000)	Size of household (000)		Size of household	Expected no. of households (000)E		
Marginal below 1 acre	23579	3.65	104825	4.92	35640	21306	14334
Small 1.0 - 5.0	22468	5.02	137377	5.39	27415	25487	1928
Medium 5.0 - 15.0	13002	6.31	99928	6.69	13564	14937	-1373
Big 15 - 50	4514	7.55	40411	7.73	4058	5228	-1170
Large above 50	437	8.73	4647	8.96	350	519	-169
Total	64000		317888		81027	67477	

Source: See text.

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