



Nature of the Lease Market and its Impact on the Institution of Tenancy

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Abstract:

This article has examined the nature of the lease market and its resultant impact on the institution of tenancy. It has been observed that till the present day, the lease market is dominated by marginal and small farms both as lessors and lessees. The concentration of tenancy in favor of relatively better-off tenants which was observed during 1991-92 is reversed in favor of marginal and small farmers during 2002-03. It has also been seen that the phenomenon of 'reverse tenancy' which was predominant in Haryana and Punjab during 1991-92 has completely disappeared during 2002-03. Moreover, the concentrations in the ownership and operational holdings which were observed during 1991-92 have come down considerably during 2002-03 and the distribution of land has moved in favor of marginal and small farms.

Keywords: *Institutional tenancy, Lease market, Nature*

1. Introduction

One of the most common place hypotheses regarding Indian agriculture is that family farms, which are economically viable¹ inspite of their small size, are more efficient than the large farms. So, it is quite legitimate to argue that land should be allocated in favor of small farms either by granting permanent ownership (through buying or selling of land) or temporary land rights (through leasing of land via the land lease market). But, the real picture in Indian agriculture is quite different than what is perceived theoretically. In rural India, land, labor and capital markets are highly imperfect in nature (and, in certain cases non-existent) and their linkages (even though weak) with each other mostly result in the persistence of marginal and small holdings which are, in general, economically non-viable and hence inefficient. The two most important reasons behind this imperfection are – (1) the stringent restrictions on the land lease market imposed by the government, which resulted in the plight of the poor farm households rather than benefiting them in any substantial way; and, (2) the relatively high transaction costs in the land market severely affect the poor farmers. Against this backdrop, the present article attempts to look into the nature of the lease market and examines its impact on the institution of tenancy. In order to conduct a

¹ The debate on economic viability of small farms stems from the alleged inverse relationship between farm size and productivity that was supposed to exist during the 60's and early 70's. However, during the late 70's, this relationship gradually turned positive when it was observed that large farms were becoming much more economically efficient and viable in comparison with the small farms. But, again during the late 90's it can be observed that in some states the 'inverse relationship' has reappeared once more. One of the common arguments that are usually advanced to explain the successive appearance and disappearance of the inverse relationship is that over time, the technological advancement in agriculture gives rise to considerable economies of scale. Moreover, certain indivisible inputs also make it imperative to carry on the agricultural activities on a larger scale. So, in a nutshell, as development takes place in agrarian set up, the large farms become more economically viable than the small farms. However, this argument fails to explain the re-emergence of the inverse relationship in some relatively agriculturally advanced states during the late 90's.

focused analysis, certain hypotheses will be proposed and tested with the help of the available dataset. For this purpose, both the state-level and household level data pertaining to ownership and operational holdings (as published by NSSO) have been used. The present study concentrates on two points of time – 1991-92 and 2002-03. For 1991-92, both the state-level and the household level data have been used; while, for 2002-03, only state-level data has been used. For the purpose of the present analysis, only 15 major states² will be considered, which will be further grouped into certain zones to get a more clear view.

2. Nature and Performance of Land Lease Market: A theoretical background

Land is considered as one of the most durable assets and is valued as a collateral providing security against unforeseen events. Moreover, in rural societies, ownership of land is a symbol of social status. Due to this specific social structure, there exists an institutional bias with respect to access to credit facilities, inputs or infrastructure towards large farming households.

Already it has been noted that in rural India the land market is highly imperfect in nature. The primary reason for this imperfection is attributed to the stringent restrictions put by the government on the land market. Till now, the various tenancy laws and their successive amendments that were proposed at different points of times seemed to have one common premise – the tenants as a class are generally of low economic status and hence, have very weak bargaining power; and, therefore, if large farming households could gain control over tenanted land, then the purpose of providing equity to the marginal and small farming households would itself be defeated [Gill (1989), Nadkarni (1976), and Vyas (1970)]. Even the reforms of the tenancy laws at the present date have not incorporated any specific regulation which makes it relatively difficult for large farming households to access the lease market. A careful scrutiny of the various studies on land reforms across different states has shown that the tenancy laws have failed to provide protection to marginal and small farmers. In many states, tenancy laws ironically favored the relatively better-off tenants. In case of ‘reverse tenancy’³, too, a relatively well-off lessee by virtue of his strong bargaining power can easily ensure that the terms and conditions governing the lease contract are favorable to him. Thus, in one sense, a big lessee can dominate the small lessor. The study by Bharadwaj and Das (1975) in Orissa and the work by Vyas (1970) in Gujarat provide considerable support to the case of domination of big lessees.

Thus, it can be observed that rather than restricting the entry of large farms, the existing tenancy laws (mostly, land ceiling laws) are helping them in a considerable way. As a result, both the distribution of ownership and operational holdings become highly concentrated. However, such concentration can be greatly reduced if tenancy laws only facilitate the entry of poor peasants in the lease market. According to Vyas (1970), an open and regulated tenancy is propagated on the assumption that it would make some of the poor peasants to advance on the agricultural ladder. A number of studies, based on both secondary and primary data, show that the relatively better-off tenants can access the lease market with considerable ease there by defeating the main objective behind these tenancy laws. For instance, Bardhan (1976) on the basis of NSS data has shown a

² At this point, some caveats are to be noted.

Firstly, during 1991-92, Chhattisgarh, Jharkhand and Uttaranchal were included, respectively, in Madhya Pradesh, Bihar and Uttar Pradesh, unlike 2002-03. But while comparing between the two time periods in this chapter, only the states as a whole has been considered and no separate provision is made for the three independent newly emerged states during 2002-03. This might affect the present analysis to some extent, but since these are mostly tribal areas it is expected that the present analysis won't be substantially affected.

Secondly, during 2002-03, the data on operational holding is given season wise. In order to facilitate comparison with 1991-92, the data on ‘kharif’ season is only considered.

³ The situation where large (also, semi-medium and medium) farms lease-in land from marginal and small farms is known as ‘reverse tenancy’.

distinct shift towards well-off tenants leading to a concentration of tenancy during 60's and 70's. In this case, the situation in Punjab is particularly pointed out by Bardhan. The same conclusion is also reached by the study conducted by Laxminarayan and Tyagi (1977), which was also based on the same data set as used by Bardhan (1976). The studies by Vyas (1970) in Gujarat, Bandopadhyay (1975) for West Bengal, Gill (1989) from the census data for Punjab, Nadkarni (1976) in Maharashtra, Singh (1989) from a field survey in Punjab, and Rao (1992), conclude that large tenants have emerged as a dominant economic class in the lease market and this holds even more strongly in states characterized by agricultural progress, commercialization of agriculture, and farm mechanization, which leads to concentration of tenancy in favor of large farming households.

An analysis of the various rounds of the NSS data shows that there has been a rise in the percentage of holdings and area under tenancy, particularly, in the 'large' size class during 1991-92 (48th Round) as compared with the earlier rounds. According to Murty (2004), 'it is all the more intriguing that "the inverse relationship which had prevailed between the size of holding and the percentage of leased-in area (to total operated area) for two decades since 1960-61 seems to have disappeared with the large holdings reporting the highest proportion (11.4%) of leased-in operated area in 1991-92"'. However, a careful look at the 2002-03 NSS data reveals that the proportion of leased-in operated area by the large holding has declined to 6.1% from 11.4% in 1991-92. This trend is encouraging but it is too early to make any final comment without looking into the trend prevailing in the lease market over the decade. This will be explored in the next section. Before moving on to the next section, the following things need to be noted. Already, it has been discussed that because of technological breakthrough, agricultural activities have become costly and more credit-intensive. As a result, the cultivators with adequate access to credit facility in order to use costly inputs have an edge in the lease market. Because of this change in environment the big tenants are gradually gaining ground in the lease market over their marginal and small counterparts. Moreover, in order to optimize the use of indivisible inputs and capital resources and exploit the scale effect, large farms lease-in more land as has been shown by Singh (1989), Nadkarni (1976), and Bliss & Stern (1982).

As noted in the introductory section that besides stringent regulations, another very important reason behind the existence of imperfections in the functioning of land markets is due to high transaction costs. A study by Datta, O'Hara and Nugent (1986) analyses the choice of the mode of agricultural tenancy in presence of transaction costs. The choice of agricultural tenancy will be discussed in the next chapter. In this context, it can only be said that transaction costs arise because the factors of production, namely, land and labor are owned by different parties. While entering under a tenurial contract, different parties negotiate with each other and this result in some positive transaction costs. According to the authors, if all the factors of production are owned by the same party, then transaction costs will be nil and the factor markets will function perfectly. But, in reality, transaction costs exist and are positive in Indian agriculture, there by resulting in imperfect functioning of the factor markets, especially, land and labor markets.

3. Lease Market Scenario: Who leases land and from whom?

One of the most pertinent questions related to the lease market is – who leases land and from whom? Put differently, the question can be rephrased as – in the lease market who are the lessors and the lessees? Since, this question is very important and through its answer an idea about the nature of the lease market can be formed, hence it is necessary to look into sides, viz., supply and demand, of the lease market. By 'supply' side, the market for leasing out of land is implied. And, the market for leasing in of land is implied by 'demand' side. Now, a hypothesis is proposed which

will be tested with the available dataset. With the increase in the scale of operation⁴, the households belonging to the upper categories lease-in more land from households belonging to the lower categories.

Table 1.

Percentage of total Households Leasing out Land and Total Area Leased out By Major Categories Of Ownership Holding Across 15 Major States, 1991-92 & 2002-03

States		Marginal		Small		Semi-Medium		Medium		Large	
		1991-92	2002-03	1991-92	2002-03	1991-92	2002-03	1991-92	2002-03	1991-92	2002-03
Andhra Pradesh	hhs	72.71	93.74	13.20	5.38	11.55	0.64	2.26	0.19	0.28	0.06
	area	53.47	69.90	15.15	23.64	28.72	4.48	2.16	1.67	0.49	0.32
Assam	hhs	64.37	85.50	20.11	13.69	12.75	0.81	2.70	0.00	0.00	0.00
	area	30.25	79.00	18.06	19.25	41.99	1.75	9.70	0.00	0.00	0.00
Bihar	hhs	46.35	94.02	24.29	5.08	18.88	0.89	8.63	0.01	1.85	0.00
	area	5.42	78.38	14.84	18.16	25.94	3.22	26.36	0.14	27.44	0.00
Gujarat	hhs	48.32	41.70	24.96	54.76	10.23	0.90	11.52	2.64	4.97	0.00
	area	19.86	16.59	13.35	70.34	5.47	0.97	17.26	12.10	44.06	0.00
Haryana	hhs	16.32	87.23	11.88	8.32	44.24	3.77	26.67	0.67	0.89	0.01
	area	5.96	50.94	1.57	22.30	28.58	21.95	62.92	4.51	0.97	0.30
Karnataka	hhs	29.25	72.73	18.04	16.99	39.75	5.72	11.50	4.47	1.46	0.09
	area	3.47	30.94	6.47	28.13	68.46	17.07	19.81	23.01	1.78	0.86
Kerala	hhs	79.54	99.33	14.29	0.61	4.91	0.06	0.23	0.00	0.00	0.00
	area	96.73	97.00	1.93	2.61	1.33	0.32	0.00	0.00	0.00	0.00
Madhya Pradesh	hhs	29.45	32.07	26.86	58.56	29.29	5.78	12.03	3.50	2.37	0.09
	area	41.37	14.72	12.55	62.71	27.35	8.66	15.25	13.41	3.48	0.51
Maharashtra	hhs	38.35	51.11	22.36	32.27	24.06	15.44	13.01	1.03	2.22	0.15
	area	8.70	28.58	17.25	37.86	34.80	29.71	32.61	2.21	6.64	1.64
Orissa	hhs	63.51	92.52	26.28	6.50	7.09	0.93	2.43	0.04	0.69	0.00
	area	29.40	74.54	51.18	20.34	11.51	4.64	3.53	0.45	4.39	0.00
Punjab	hhs	35.85	63.80	22.94	22.36	28.74	11.77	10.79	2.01	1.68	0.06
	area	12.28	7.25	22.21	39.79	44.07	40.85	15.68	11.17	5.77	0.94
Rajasthan	hhs	18.98	35.47	22.87	47.65	29.56	8.53	20.55	5.65	8.04	2.70
	area	23.86	12.73	5.31	41.21	20.58	16.80	26.72	15.24	23.53	14.01
Tamil Nadu	hhs	71.39	96.67	17.02	2.61	9.05	0.62	2.05	0.11	0.49	0.00
	area	34.08	86.29	20.45	10.04	31.07	2.93	8.08	0.74	6.33	0.00
Uttar Pradesh	hhs	58.10	87.60	20.27	10.95	15.81	1.36	5.51	0.08	0.31	0.00
	area	19.46	66.49	19.29	27.48	42.99	5.21	17.24	0.81	1.02	0.00

⁴ In this context, 'scale of operation' is defined by the different farming categories, namely, landless, marginal, small, semi-medium, medium and large.

West Bengal	hhs	67.36	96.74	19.35	3.02	11.00	0.23	2.09	0.01	0.00	0.00
	area	30.79	87.92	17.90	11.12	40.29	0.79	11.01	0.18	0.00	0.00
All India	hhs	51.30	85.32	20.32	12.01	19.09	2.27	7.83	0.37	1.34	0.03
	area	11.31	56.15	15.90	30.87	40.55	9.36	25.37	3.22	6.88	0.40

Sources: Computed from (i) Land And Livestock Holdings Survey, NSS 48th Round: Some Aspects of Household Ownership Holdings; Report No. 399.

(ii) NSS 59th Round: Household Ownership Holdings in India, 2003; Report No. 491.

Table 1 gives the supply side view of the lease market. Put differently, table 1 gives the percentage distribution of total households leasing out land and total area leased out by major categories of ownership holding across 15 major states during 1991-92 and 2002-03. In order to get a clear view of the prevailing trend, the 15 states will be further grouped under four zones, namely,

- (1) zone I (Assam, Bihar, Orissa and West Bengal)
- (2) zone II (Haryana, Punjab, Rajasthan and Uttar Pradesh)
- (3) zone III (Gujarat, Madhya Pradesh and Maharashtra)
- (4) zone IV (Andhra Pradesh, Karnataka, Kerala and Tamil Nadu).

In zone I it can be observed that during 1991-92, marginal and small households (consisting more than 70% of the total households) are mostly leasing out land in Assam, Bihar, Orissa and West Bengal. Among these four states, households belonging to the semi-medium category are also seen to be somewhat dominant in leasing out land in Assam, Bihar and West Bengal. Coming to the proportion of area leased out, it can be seen that in Assam, Bihar and West Bengal, households belonging to semi-medium, medium and large categories (consisting less than 20% of the total households) lease out more than 50% of the total area of land leased out during 1991-92. However, in Orissa the marginal and small households lease out more than 80% of the total area of land leased out during 1991-92. In comparison, it can be observed that in all the four states the marginal and small farming households dominate as lessors both as a percentage of total households leasing out land and also as a proportion of total area leased out during 2002-03.

Coming to zone II, a wide variation can be observed among Haryana, Punjab, Rajasthan and Uttar Pradesh during 1991-92. In Haryana, the semi-medium and medium households (comprising of more than 70% of the total households) dominated the lease market as lessors during 1991-92 and these households leased out more than 90% of the total area of land. However, in Punjab and Rajasthan it can be seen that during 1991-92, the marginal, small, semi-medium and medium farms together accounted for more than 90% of the total households leasing out land and the total area leased out by these households is more than 80%. In case of Uttar Pradesh, the marginal, small and medium farms lease out more than 80% of the total area and account for more than 90% of the total households leasing out land during 1991-92. Coming to 2002-03, it can be seen that in Haryana the marginal households account for nearly 87% of the total households leasing out land and the total area leased out by these households is nearly 51%. However, the small and semi-medium farms also account for nearly 44% of the total leased out area in Haryana during 2002-03. In Punjab, it can be observed that during 2002-03 the marginal, small and semi-medium farms account for more than 90% of the total households leasing out land. But, coming to proportion of area leased out, it can be seen that the marginal farms lease out only 7% of the total area, where as, the small, semi-medium and medium together constitute more than 80% of the total area leased out in Punjab during 2002-03. In Rajasthan, the marginal and small farms together constitute more than 80% of the total households leasing out land and these households together lease out more than 50% of the total area during 2002-03. However, the semi-medium, medium and large farms also account for nearly 45% of the total area leased out in Rajasthan during 2002-03. Finally, in Uttar Pradesh it can be observed that the marginal and small farms together constitute more than

90% of the total households leasing out land and these households together account for more than 90% of the total area leased out during 2002-03.

In case of zone III, it can be perceived that during 1991-92, the marginal and small farms in Gujarat constitute nearly 80% of the total households leasing out land. But, these households account for only a little more than 30% of the total area leased out. In comparison, the large farms, which constitute only 5% of the total households leasing out land, account for 44% of the total area leased out in Gujarat during 1991-92. During 1991-92, the situation in Madhya Pradesh shows that the marginal, small and semi-medium farms together constitute over 80% of the total households leasing out land and the total area leased out by these households is also more than 80%. In Maharashtra, too, the marginal, small and semi-medium households account for more than 80% of the total households leasing out land and the area leased out by these households is nearly 60% during 1991-92. However, the medium households also account for nearly 33% of the total leased out area in Maharashtra during 1991-92. In comparison, during 2002-03, it can be seen that the marginal and small farms are dominant as lessors in Gujarat and Madhya Pradesh. In both the states these households constitute more than 90% of the total households leasing out land and the area leased out by them are over 70% (in Madhya Pradesh) and over 80% (in Gujarat). In Maharashtra, it can be observed that during 2002-03, the dominant lessor households belong to marginal, small and semi-medium categories which account for more than 90% of the total households leasing out land and the area leased out by these households also constitute more than 90% of the total area leased out.

While dealing with zone IV, it can be observed that the marginal, small and semi-medium farms in Andhra Pradesh constitute more than 90% of the total households leasing out land and the area leased out by these households is also more than 90% of the total area leased out during 1991-92. In Karnataka, a somewhat similar picture like Andhra Pradesh is observed in case of percentage of households leasing out land during 1991-92. In terms of area leased out during 1991-92 in Karnataka, it can be seen that the semi-medium and medium farms together account for more than 80% of the total area leased out. In Kerala, the marginal farms are the dominant lessors who constitute nearly 80% of the total households leasing out land and account for more than 90% of the total area leased out during 1991-92. The marginal, small and semi-medium farms in Tamil Nadu constitute more than 90% of the total households leasing out land and the area leased out by them is more than 80% during 1991-92. On the other hand, during 2002-03, the marginal and small farms (comprising of over 90% of the total households) are dominant as lessors in Andhra Pradesh and Tamil Nadu. In both these states, the total area leased out by these households is more than 90% during 2002-03. In Kerala, the marginal farms (more than 90% of the total households) remain dominant as lessors in the lease market and the total area leased out by them is 97% during 2002-03. Lastly, in Karnataka, the marginal, small and semi-medium farms together constitute more than 90% of the total households leasing out land and the area leased out by them is more than 70% during 2002-03. However, it can be observed that the medium farms also account for 23% of the total area leased out in Karnataka during 2002-03.

At the all-India level it can be seen that during 1991-92, the marginal, small and semi-medium farms together constitute nearly 90% of the total households leasing out land and the area leased out by them is nearly 70%. However, it can be observed that the medium and large households also account for 32% of the total area leased out during 1991-92. In comparison, during 2002-03, the marginal and small farms together constitute more than 90% of the total households leasing out land and the area leased out by them is more than 80% at the all-India level.

Thus, a detailed trend analysis of the supply side of the lease market does not provide any clear picture regarding the specific trend that is prevailing across the states. It can be observed that

during 1991-92, in most states and also at the national level, the marginal, small and semi-medium farms mostly dominated the lease market as lessors. In agriculturally advanced states (mainly, Punjab and Haryana), a considerable portion of the lease market is dominated by semi-medium and medium (in some cases even, large) farms who lease out land in much higher proportion. But, during 2002-03, in almost all states and also at the all-India level, the marginal and small farms dominated as lessors. However, in some states semi-medium farms also dominated to some extent as lessors besides the lower two categories during 2002-03. The supply side view of the lease market is just the half of the story. In order to get a complete idea about the nature of the lease market, it is imperative to look at the demand side also.

Table 2.

Percentage of total households leasing in land and total area leased-in by major categories of ownership holding across 15 major states, 1991-92 & 2002-03

States		Landless		Marginal		Small		Semi-Medium		Medium		Large	
		1991-92	2002-03	1991-92	2002-03	1991-92	2002-03	1991-92	2002-03	1991-92	2002-03	1991-92	2002-03
Andhra	hhs	38.92	43.63	44.55	53.00	10.25	2.75	5.12	0.57	1.08	0.05	0.08	0.01
	area	34.72	4.04	41.88	88.72	14.37	5.09	7.16	1.65	1.66	0.47	0.21	0.03
Assam	hhs	43.47	12.99	45.64	80.89	9.42	5.86	0.89	0.26	0.58	0.00	0.00	0.00
	area	60.07	2.83	30.84	88.91	7.82	7.97	0.25	0.29	1.03	0.00	0.00	0.00
Bihar	hhs	13.54	1.06	76.38	98.66	8.07	0.24	1.71	0.03	0.30	0.00	0.00	0.00
	area	21.84	0.48	72.82	99.01	4.34	0.49	0.92	0.02	0.08	0.00	0.00	0.00
Gujarat	hhs	61.73	58.47	25.03	33.20	6.22	6.68	6.08	0.47	0.94	1.09	0.00	0.10
	area	28.90	0.55	60.63	92.67	7.70	1.54	2.51	1.86	0.26	2.46	0.00	0.92
Haryana	hhs	4.45	11.96	28.75	76.28	19.86	8.55	40.25	2.93	6.40	0.26	0.29	0.01
	area	0.00	0.28	6.24	68.82	16.46	22.92	56.30	6.61	20.96	1.21	0.05	0.16
Karnataka	hhs	35.47	35.37	30.10	53.97	17.92	8.80	10.09	0.79	5.65	1.04	0.77	0.04
	area	20.94	9.23	23.77	64.96	22.67	20.84	17.86	1.67	13.35	3.24	1.43	0.05
Kerala	hhs	57.98	10.64	38.26	89.33	2.42	0.03	0.87	0.00	0.47	0.00	0.00	0.00
	area	24.43	6.92	73.37	93.05	0.68	0.02	0.85	0.00	0.67	0.00	0.00	0.00
Madhya Pradesh	hhs	38.68	14.58	36.58	56.99	12.91	24.68	7.04	3.14	3.53	0.61	1.26	0.00
	area	51.93	7.43	32.11	61.31	7.37	23.22	4.46	5.14	2.46	2.91	1.68	0.00
Maharashtra	hhs	63.60	60.00	16.80	29.99	9.25	4.84	5.82	4.92	4.33	0.25	0.20	0.00
	area	33.24	8.61	12.49	55.57	30.37	19.79	11.07	14.88	12.69	1.14	0.14	0.00
Orissa	hhs	38.52	5.41	50.69	93.19	6.42	1.40	3.56	0.00	0.81	0.00	0.00	0.00
	area	11.23	2.02	78.53	96.90	5.61	1.07	4.16	0.00	0.47	0.00	0.00	0.00
Punjab	hhs	12.90	6.08	42.35	80.66	13.03	9.80	16.74	1.62	14.32	1.81	0.66	0.03
	area	28.74	0.10	16.62	79.14	10.63	13.00	16.70	3.07	26.94	4.67	0.37	0.02
Rajasthan	hhs	35.50	6.67	31.42	49.58	14.88	22.81	10.40	15.71	7.05	2.66	0.75	2.56
	area	61.85	0.46	15.11	41.94	9.21	22.15	9.26	21.45	4.37	6.68	0.20	7.31
Tamil Nadu	hhs	47.14	63.99	44.79	35.21	5.46	0.66	2.17	0.14	0.35	0.00	0.09	0.00
	area	23.61	13.88	54.54	82.95	13.47	2.37	6.42	0.55	1.80	0.00	0.17	0.00

Uttar Pradesh	hhs	14.71	0.77	66.84	95.30	14.31	3.64	3.01	0.26	0.94	0.02	0.19	0.00
	area	14.87	0.12	63.36	94.81	17.93	4.44	2.03	0.56	0.45	0.06	1.36	0.00
West Bengal	hhs	24.41	2.72	69.29	96.85	4.26	0.41	1.92	0.02	0.12	0.00	0.00	0.00
	area	21.05	1.09	72.23	98.03	3.08	0.83	1.39	0.04	2.26	0.00	0.00	0.00
All India	hhs	34.62	16.57	47.89	79.22	9.96	3.50	5.26	0.61	2.03	0.09	0.24	0.01
	area	32.29	2.33	38.18	88.21	14.12	7.11	9.31	1.80	5.74	0.47	0.36	0.07

Source: Same as Table 1.

Table 2 gives the percentage distribution of total households leasing in land and total area leased-in by major categories of ownership holding across 15 major states during 1991-92 and 2002-03. Table 3.2 basically gives the demand side view of the lease market.

In zone I it can be observed that during 1991-92, the landless, marginal and small farms constitute more than 90% of the total households leasing in land and the total area leased in amounted to nearly 90% in Assam, Bihar, Orissa and West Bengal. In comparison, during 2002-03, in all the four states the landless and marginal farms together account for more than 90% of the total households leasing in land and the proportion of area leased-in by these households is also more than 90% of the total area leased-in. However, one thing is noted in this context. In all the four states it is seen that over time the proportion of landless households leasing in land has declined substantially, while the percentage of marginal farms has registered a sharp increase.

Coming to zone II it can be seen that during 1991-92, the phenomenon of 'reverse tenancy' is clearly observed in Haryana. This is because, the semi-medium and medium farms mostly leased in land and the total area leased in by them is more than 75% during 1991-92. In case of Punjab, a tendency towards 'reverse tenancy' is observed since the semi-medium and medium farms are leasing in nearly 44% of the total leased-in area during 1991-92. But the phenomenon is not as strong in Punjab as it is in Haryana. In case of Rajasthan and Uttar Pradesh, the landless, marginal and small farms constitute nearly 80% of the total households leasing in land and the area leased in by these households is more than 85% during 1991-92. However, during 2002-03, it can be observed that the phenomenon of 'reverse tenancy' has completely disappeared from Haryana and Punjab. In both these states, the marginal and small farms lease-in more than 80% of the total land leased-in during 2002-03. The same trend also prevailed in Rajasthan and Uttar Pradesh, where the marginal and small farms lease-in, respectively, 65% and more than 95% of the total land leased-in during 2002-03. However, the semi-medium farms also leased in nearly 22% of the total area during 2002-03 in Rajasthan.

In case of zone III, it can be seen that during 1991-92, the landless and marginal farms (constituting more than 70% of the total households) leased in more than 80% of the total area in Gujarat and Madhya Pradesh. In Maharashtra, the landless, marginal and small farms (accounting for more than 80% of the total households leasing in land) together lease-in more than 70% of the area during 1991-92. In comparison, during 2002-03, it can be observed that the landless households constitute nearly 60% of the total households leasing in land, but the percentage of area leased in by these households is as low as 0.55% in Gujarat and 8.6% in Maharashtra. Apart from this, the marginal households are the dominant lessees (nearly, 33% of the total households leasing in land) in Gujarat, who leased in more than 90% of the area leased in. In Maharashtra, besides landless households, the marginal and small farms together constitute nearly 35% of the total households leasing in land and the area leased in by them amounts to more than 75% during 2002-03. In Madhya Pradesh, the marginal and small farms (more than 80%) are the dominant lessees leasing in more than 80% of the area leased in during 2002-03.

In zone IV, it can be observed that during 1991-92, the landless and marginal farms (constituting more than 80% of the total households leasing in land) together leased in nearly 80% or more of the total area leased in, in Andhra Pradesh, Kerala and Tamil Nadu. The landless, marginal and small farms (more than 80%) together leased in more than 65% of the total area during 1991-92 in Karnataka. During 2002-03, it can be observed that in Andhra Pradesh, Karnataka and Tamil Nadu, the landless households constitute nearly 35% to 64% of the total households leasing in land, but they only lease-in an area which lies between 4% and 14%. Apart from this, the marginal households dominated as lessees in Andhra Pradesh, Kerala and Tamil Nadu by leasing in an area more than 80% during 2002-03. However, in Karnataka, the marginal and small farms (constituting nearly 60% of the total households leasing in land) together account for more than 80% of the total area leased in during 2002-03.

At the all-India level, it can be seen that the dominant lessees are marginal farms during 2002-03, who leased in more than 80% of the total area leased in, where as, during 1991-92, the dominant lessees belonged to the landless, marginal and small categories, which together account for more than 80% of the total area leased in.

Thus, it can be gathered from the preceding analysis that from the demand side no specific evidence is obtained as to the emergence of the phenomenon of 'reverse tenancy' in agriculturally developed states. In fact, the opposite is true. Also, the dominance of landless and marginal farms as lessees can be observed in all the states and also at the national level over the decade. So, in a nutshell, the lease market is still dominated by landless, marginal and to some extent small farms both as lessees and lessors. So, the hypothesis proposed at the beginning of this section has proved to be wrong. In this context, it may be mentioned that the NSS data has its own limitation in answering the question as to who leases from whom? A careful glance through the literature reveals that while there are a number of studies analyzing different factors for leasing in and leasing out, very few studies have actually looked into the question of who leases from whom?

Table 3

Percentage distribution of households to all households leasing-in land and proportion of area leased-in to owned area for major categories of ownership holding across 15 major states, 1991-92 & 2002-03

States		Marginal		Small		Semi-medium		Medium		Large		All	
		1991-92	2002-03	1991-92	2002-03	1991-92	2002-03	1991-92	2002-03	1991-92	2002-03	1991-92	2002-03
Andhra Pradesh	hhs	17.41	17.50	13.23	4.50	10.91	1.62	5.09	0.31	3.44	0.31	15.94	14.97
	area	29.40	40.98	7.56	2.47	4.37	0.75	2.13	0.20	1.25	0.02	9.65	9.13
Assam	hhs	19.18	24.15	10.65	8.70	2.37	1.56	8.49	0.00	0.00	0.00	16.73	21.04
	area	16.00	41.93	4.40	4.64	0.82	0.36	2.42	0.00	0.00	0.00	7.98	16.39
Bihar	hhs	7.86	26.37	5.12	0.80	2.00	0.29	0.98	0.03	0.00	0.00	7.04	23.63
	area	14.13	60.10	1.80	0.49	0.72	0.03	0.20	0.01	0.00	0.00	4.35	24.64
Gujarat	hhs	14.47	13.11	4.32	5.90	5.26	0.68	1.29	1.73	0.00	1.00	10.56	10.49
	area	101.47	47.84	6.05	0.67	1.12	0.68	0.41	0.44	0.00	0.53	4.23	5.62
Haryana	hhs	10.28	14.11	26.89	10.70	40.42	4.66	13.72	0.66	6.77	0.39	18.27	12.32
	area	72.85	58.27	45.83	16.06	41.41	2.98	41.17	0.39	0.80	0.14	41.08	12.54
Karnataka	hhs	14.63	11.30	12.85	5.60	8.84	0.81	11.23	1.74	6.80	0.44	13.10	8.98
	area	31.11	23.84	10.69	5.73	8.36	0.39	5.00	0.59	2.12	0.02	10.22	4.18

Kerala	hhs	9.96	23.69	4.35	0.20	5.03	0.12	13.57	0.00	0.00	0.00	9.59	22.58
	area	61.99	29.31	1.36	0.02	2.53	0.03	1.86	0.00	0.00	0.00	3.23	15.05
Madhya Pradesh	hhs	17.71	11.72	8.30	13.90	5.35	2.61	4.20	0.88	8.23	0.00	12.33	10.11
	area	60.26	34.43	6.55	7.08	3.64	1.16	1.77	0.54	1.40	0.00	7.38	5.26
Maharashtra	hhs	21.41	14.50	10.33	4.10	6.09	4.56	7.48	0.56	1.59	0.09	15.84	11.12
	area	21.77	25.49	13.69	5.54	4.04	2.37	2.98	0.21	0.26	0.00	5.18	5.10
Orissa	hhs	26.28	23.21	9.92	2.90	10.81	0.00	7.47	0.00	0.00	0.00	22.30	20.15
	area	35.02	47.00	4.44	0.78	3.10	0.00	0.74	0.00	0.00	0.00	11.39	18.73
Punjab	hhs	12.08	15.31	19.85	13.90	20.87	2.77	30.64	4.74	9.43	0.41	15.22	13.50
	area	130.04	166.06	26.71	15.97	16.06	2.33	14.09	2.60	2.03	0.03	18.19	21.73
Rajasthan	hhs	16.37	8.34	8.74	11.30	6.39	9.17	5.52	2.16	1.52	5.16	10.89	8.19
	area	41.05	29.08	10.97	12.56	8.06	7.32	2.57	1.49	0.44	1.43	5.83	6.59
Tamil Nadu	hhs	20.56	18.09	13.28	1.90	11.08	0.81	7.25	0.05	14.34	0.00	19.49	16.44
	area	27.56	20.48	7.34	0.72	4.54	0.18	3.86	0.08	0.58	0.00	12.34	7.05
Uttar Pradesh	hhs	18.09	26.87	16.04	6.70	6.26	1.25	5.65	0.30	15.22	0.00	16.50	22.68
	area	31.99	50.72	8.95	3.02	2.60	0.51	0.88	0.08	4.96	0.00	11.82	18.68
West Bengal	hhs	19.36	28.16	7.97	1.90	8.65	0.33	3.13	0.05	0.00	0.00	17.75	26.22
	area	24.84	42.02	3.28	0.80	1.40	0.09	0.15	0.02	0.00	0.00	12.02	24.09
All India	hhs	16.87	17.47	10.92	4.70	8.33	1.48	6.54	0.42	3.96	0.26	14.69	14.53
	area	28.44	36.30	8.39	3.22	5.68	0.76	4.07	0.19	0.83	0.06	9.01	8.90

Source: Same as Table 1.

4. Impact of the functioning of lease market on the incidence of tenancy

As a continuation to the discussion on the nature of the lease market, an analysis of the impact of the functioning of lease market on the incidence of tenancy is presented in this sub section. Table 3 gives the percentage distribution of households to all households leasing in land and the proportion of leased-in to owned area for major categories of ownership holding across 15 major states during 1991-92 and 2002-03.

In zone I it can be observed that during 1991-92, the marginal (including landless households) and small farms dominate as lessees, leasing in nearly 20% or more of the leased-in to owned area in Assam, Bihar, Orissa and West Bengal. Where as, during 2002-03, in all the four states the marginal farms mostly dominated as lessees leasing in more than 40% and even 60% (as in Bihar) of the leased-in to owned area.

Coming to zone II it can be seen that during 1991-92, the marginal, small, semi-medium and medium farms are leasing in, respectively, 73%, 46%, 41% and 41% of the leased-in to owned area in Haryana. While, in case of Punjab it can be observed that the marginal and small farms are leasing in, respectively, 130% and 27% of the leased-in to owned area during 1991-92. For Rajasthan and Uttar Pradesh, however, the marginal farms lease in, respectively, 41% and 32% of the leased-in to owned area during 1991-92. In comparison, during 2002-03, the marginal farms dominate as lessees in all the four states and these households lease-in, respectively, 58%, 166%, 29% and 51% of the leased-in to owned area.

In case of zone III, the marginal households dominate as lessees in Gujarat, Madhya Pradesh and Maharashtra, leasing in, respectively, 102%, 60% and 22% of the leased-in to owned area during 1991-92. The picture is somewhat similar during 2002-03 in all the three states where once again, the marginal farms are emerging as a dominant class in the lease market leasing about 48%, 34% and 26%, respectively, of the leased-in to owned area.

Finally, in zone IV it can be observed that in Andhra Pradesh, Karnataka, Kerala and Tamil Nadu, the marginal farms are the dominant lessees during 1991-92 and 2002-03. During 1991-92, the proportions of leased-in to owned area in all the four states are 29% (Andhra Pradesh), 31% (Karnataka), 62% (Kerala) and 28% (Tamil Nadu); where as, during 2002-03, the percentages are 41% (Andhra Pradesh), 24% (Karnataka), 29% (Kerala) and 21% (Tamil Nadu).

At the all-India level, too, the marginal farms are dominant as lessees during 1991-92 and 2002-03, leasing in, respectively, 28% and 36% of the leased-in to owned area. Thus, it is quite clear from the preceding discussion that the landless and marginal farms mostly dominate the lease market as lessees. This trend is predominant in almost all the states and also at the all-India level. Even though during 1991-92 it is observed that in some agriculturally advanced states (as for e.g., Haryana and Punjab) there is a tendency of the relatively well-off tenants to emerge as the dominant lessee in the lease market. This resulted in a greater concentration of the distribution of ownership and operational holdings in favor of these well-off tenants and away from poor tenants. However, this trend is reversed in favor of petty and marginal tenants during 2002-03 with respect to the distributions of ownership and operational holdings of land.

6. Conclusion

This section will conclude the present article. This article has attempted to look into the nature of the lease market and its resultant impact on the institution of tenancy. From the preceding discussions it can be gathered that till the present day the lease market is dominated by marginal and small farms both as lessors and lessees. The concentration in tenancy in favor of relatively better-off tenants which was observed during 1991-92 is reversed in favor of marginal and small farmers during 2002-03. It can also be seen that the phenomenon of 'reverse tenancy' which was predominant in Haryana and Punjab during 1991-92 completely disappeared during 2002-03. Moreover, the concentrations in the ownership and operational holdings which were observed during 1991-92 have come down considerably during 2002-03 and the distribution of land has moved in favor of marginal and small farms.

Before concluding this present discussion we want to focus on one final point. From the preceding analysis, it can be observed that the landless households, which constitute a sizeable proportion, are rather deprived when it comes to area leased-in by them. The issue of 'equity' in the distribution of land can never reach a desired target if the landless households continue to remain in stark poverty. So, while formulating policies for the reform of the lease market, be it amendments of tenancy laws or the reduction of transaction costs, adequate attention must be paid so that these reforms benefit the poor tenants rather than be countering productive for them.

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