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Land Reforms in Pakistan: A Review of Policy Issues

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CONTENTS

THE PREAMBLE

In a characteristically agrarian country like Pakistan with endowment of rich soil, vast irrigational infrastructure, and favourable ecological conditions, the farming entrepreneurs have failed to achieve a respectable level of resource productivity. Introduction of modern farm technologies have generated new production possibilities but the nation has failed to fully harness these opportunities. Besides other factors, defective tonurial arrangements and iniquitous concentration of landed wealth are said to be the major deterants. Some efforts have been made in the past to correct the situation but the outcome has been quite dismal. The Land Reforms of 1959 placed ceilings on owner holdings at 500 acres of irrigated (1000 acres of unirrigated) land or equivalent of 36,000 produce index units, which ever greater. Because of high ceilings on owner-holdings, transfer-cum-exemption provisions of the land reform package, and administrative shortcomings of the executing machinery, the end result was relatively less encouraging. This may be judged from the fact that out of 77,49,085 acres of land owned in parcels of more than 500 acres, no more than 23,52,716 acres were resumed and, in turn, distributed among 1,96,000 tenants who form 9.8 per cent of the tenant farms and 4 per cent of the

total farming units in the country.[1]

The Land Reforms of 1971, though quite revolutionary in nature, have also made limited impact. According to Government sources, approximately 1,16,00,000 acres were resumed and given to 93,000 tenants who form 4.6 per cent of the tenant farms and 1.9 per cent of the total farms.[2] A recent study gave the prospective figure for the resumable land as 28,00,000 acres but the estimate is based on very liberal assumptions.[3] In case, this land is distributed among tenants in 12.5 acre parcels, then 2,24,000 tenants would stand to benefit. If the resumed land is distributed in 6.5 acre parcels the number of beneficiaries will rise to 4,48,000. Under these arrangements the land-receiving tenants would form 11 per cent and 22 percent respectively of the total tenant operated farms in the country.

Taking the 1960 Census data as the base and incorporating the impact of the two Land Reforms on the land distribution, the present day position may be tabulated as under:

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[1] C.M. Akram (ed.), Manual of Land Reform, Lahore 1973, p.49; and Charles M. Elkington, Land Reforms in Iran, Iraq, Pakistan, Turkey and Indonesia, USAID - Spring Review of Land Reform, II Edition, Vol.II, June, 1970, p.29.

[2] See. Ronald Herring and M. Ghaffar Chaudhry, "The 1972 Land Reforms in Pakistan and their Economic Implications: A Preliminary Analysis," The Pakistan Development Review, Vol.XIII, No.3, Autumn 1974, pp.246-248,256. Detailed account of the two land reforms are available in this article.

[3] Ibid, p.257

TABLE -1

PRE AND POST REFORMS LAND DISTRIBUTION PATTERN IN PAKISTAN

Farm Size in acres)	Situation as per 1960 Census		Post 1959 Land Reforms Situation		Post 1971 Land Reforms Situation	
	Number of farms (in million)	Area Commanded (Million acres)	Number of farms (in million)	Area Commanded (Million acres)	Number of Farms (in million)	Area Commanded (Million acres)
12.5	3.74 (76.95)	15.49 (31.66)	3.93 (77.82)	17.84 (36.46)	4.02 (78.21)	18.96 (38.75)
2.6-25.0	0.73 (15.02)	12.53) (25.60)	0.73 (14.46)	12.53 (25.61)	0.73 (14.20)	12.53 (25.62)
5.1-50.0	0.29 (5.967)	9.47 (19.35)	0.29 (5.74)	9.47 (19.35)	0.29 (5.64)	9.47 (19.35)
0.1-150	0.09 (1.80)	6.54 (13.37)	0.09 (1.78)	6.54 (13.37)	.09 (1.75)	6.54 (13.37)
150	0.01 (0.20)	4.90 (10.01)	0.01 (0.19)	2.55 (5.21)	.01 (0.19)	1.43 (2.92)

Note: Figures in the parentheses are the percentages.

*The resumed land under the two land reforms is shown to have been redistributed among the tenants or marginal farmers in parcels of 12.5 acres or less.

It may be seen from the above table that there is ample scope for further rationalization of the distributional pattern of landed property in Pakistan. What should be the degree of this rationalization, it would depend on many factors. The expected gains in terms of productivity, social justice, and employment are to be weighed against some decline in the "marketed-production volume" or a change in the "cropping-mix", and the like.

THE ECONOMIC RATIONALE

There is a general agreement that, invariably, the Land Reforms lead towards higher land productivity, better distribution of farm incomes, and increased employment. The logical arguments generally extended in support of this contention are quite varied and thus deserve a more detailed treatment.

a) Land Reforms and Farm Productivity.

Both the apriorism as well as empirical evidence support the fact that a properly devised and effectively implemented Land Reform leads towards increased resource productivity in the farm sector. / Representative field data show that per acre productivity on large farms is relatively lower as compared with that of small sized farms inspite of the fact that large farms have exhibited a potential to use

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a) Land Reforms and Farm Productivity.

Both the apriorism as well as empirical evidence support the fact that a properly devised and effectively implemented Land Reform leads towards increased resource productivity in the farm sector. [1] Representative field data show that per acre productivity on large farms is relatively lower as compared with that of small sized farms inspite of the fact that large farms have exhibited a potential to use

new farm technologies on a much larger scale._/ This seemingly contradictory view is attributed to factors such as low cropping intensity, higher culturable wastes, and poor supervisory efforts that are characteristics of the large farms. Empirical evidence shows that under the existing irrigation supplies and farm resource-mix situation, the culturable waste on farms with a size of more than 150 acres stood at 66 per cent as compared to 22 per cent on 25-50 acre farms and 12.4 per cent on less than 12.5 acre farms. Similarly, the cropping intensity on large farms have been reported to be in the proximity of 78 per cent as compared to 90 per cent on medium farms and 118 per cent on small farms.[4] The logic is quite simple. A farmer with smaller land holding must endeavour to use his labour and capital more judiciously and intensively so as to realize maximum possible returns to his scarce-land endowment. Whereas the large, and in particular, the absentee landlords have interest in maximizing the returns to their capital input or in extracting the maximum share of the total produce from their tenants.

As Land Reforms do not imply mere squeeze in the farm size but also encompase adjustments in tenurial aspects, productivity gains also accrue on account of other reasons as well.

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[4] H.Kaneda and M. Ghaffar Chaudhry, "Output Effects of Tubewells on the Agricultural of the Punjab: Some Empirical Results", Pakistan Development Review, Vol.X,No.I, Spring 1970,p.72; and Fazal Karim, "Impact of Land Reforms on Farm Productivity in Lyallpur District", Unpublished M.Sc. Thesis, University of Agriculture Lyallpur.

Transformation of a tenant, who has little incentive to make durable improvements on the land he cultivates and also to adopt modern farm innovations, finds it rewarding to undertake extended capital formation after becoming the owner or on receiving a better tenurial status.

It is, therefor, rightly contended that as ceilings are placed on large sized farm holdings, the consequent transfer of the resumed land among the tenants or marginal owners results in increased land productivity.

It may, however, be pointed out that the positive productivity gains, just referred to, would demand the availability of certain pre-requisities. Here the reference is towards the availability of credit facilities that would place the needed capital at the disposal of newly created owner-cultivators for bringing the necessary land improvements. It is to be recognized that the land-owners affected by Land Reform are not going to surrender the already cultivated and developed parts of their holdings. Surrendered parcels generally comprise of wholly or partially culturable wastes that require high capital and managerial input for giving the expected productivity. In case, these aspects are not effectively attended to, productivity gains may turn out to be just imaginary.

b) Land Reforms and Employment

The second area of gain is that of additional employment that results from land reforms. It is an established fact that large

farms have capitalistic bias and accordingly the resource-mix on these farms generally results in relatively lesser labour use per acre. The small and medium farms, on the other hand, use highly labour-intensive techniques and cropping patterns. Farm management studies and surveys strongly endorse these contentions./

For instance, in the district of Muzaffargarh having sizeable population of big landlords, it was found that per acre man-days input on small farms was 93 as compared with 44 on large sized farms and 59 on medium sized farms. In the agriculturally progressive district of Gujranwala, the employment situation was even more contrasting on different sized farms. Labour-use of 106 man-days per acre was reported on small farms as compared to 52 man-days per acre on large farms.[5] The available information, though scant and spotty in nature, indicate similar labour-use differentials on different farm groups in other parts of the country as well. Higher cropping intensity, labour-intensive cropping mix, and better use of available land resources are the logical basis of this differential.

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5 Government of Pakistan, Farm Management Research in Pakistan: Report on Muzaffargarh for 1962-63, Ministry of Agriculture and Works, Rawalpindi, 1968; Government of Pakistan Farm Management Research in Pakistan: Report on Gujranwala-Project, Ministry of Food, Agriculture and Under Developed Areas, Islamabad, 1972; University of Agriculture, Lyallpur, Bench Mark Survey of Shadab Project, Islamabad, 1973; and Fazal Karim, "Impact of Land Reforms on Farm Productivity," Op.cit., pp.26, 49, and 57.

It should, however, be pointed out that the additional employment through land redistribution and improvement in tenurial relationship would greatly help in reducing under employment among family labour. The proportion of hired labour, both casual and permanent, being very low on small farms, gains of new man-days of work would only marginally be benefitting the casual and permanent hired labour. Under the existing rural settings, highest un-and under employment is reported to be in the case of casual-farm labour(that forms 61 per cent of the total farm labour[6]). In view of the increasing tendency among large sized land owners for mechanized farming, it is rather difficult to put a high gain weight on the employment generating effect of land reform package realizing that it offers relatively limited employment prospects for the casual farm labour.

c) Land Reforms and Income Re-distribution

Redistribution of resumed land among tenants or marginal farmers signifies the transfer of additional income base in favour of the land-less tillers. After becoming the owner, the tenant is no more obliged to share 50 per cent of the produce with the landlord even though all the production costs are to be borne by him. The contemplated change in the tenurial status further leads towards better management of the

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[6] Jery B.Eckert, et.al., Rural Labor in Punjab, A Survey Report, USAID, Islamabad, 1972, p.31, Table 8.

acquired land and adoption of new farming technologies together with greater application of the family labour. The impact of these developments on the income of the tiller through increased yields and higher cropping intensity is well obvious. / Using the farm budget data, it has been estimated, that even with conservative assumptions, an acre transferred from the owner to the tenant results in the redistribution of Rs.135.75 in favour of the later.[7] In case, the additional impact of institutional credit, extension and other development facilities that a 'tenant-convert' is able to avail after owning some land, is accounted for, the income transfer effect may still be larger. /. The gains in terms of social prestige and social salvation after getting out of the clutches of the landlord are in addition to the quantifiable pecuniary benefits that the receiver of land are expected to have.

c) Land Reforms and Marketable Surplus

The preceding discussion leads to the inference that a judiciously devised land reform programe entails high probability of increasing national farm productivity and employment, and also in granting a better deal to the tillers of land. The direction of these prositive effects is relatively less debatable; whereas no single estimate of all these gains in quantitative terms can easily be made or accepted. Realizing the significance of these consequences for effectively catering to the national problems of low farm

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[7] Ronald Herring and Ghaffar Chaudhry, "The 1972 Land Reforms in Pakistan," Op.Cit., p.268, table X.

productivity, high un-and under employment, and skewed income distribution, the case for Land Reforms seems to be quite strong.

However, in a country like Pakistan where food import bill is, on an average, running around Rs.300 crores per annum and the annual food subsidy burden continues to be as high as Rs.400 crores, another aspect of land reforms has also to be taken into consideration[8]. This is with regard to the impact of land reforms on the volume of marketable surplus.

It is generally contended that the redistribution of land-holdings and adjustments in tenurial arrangements result in squeezing of the marketable surplus. The argument is based on the logic that the requisitioned land is distributed among tenants and marginal farmers in lots that are invariably subsistence sized. As such, the cropping activity on the re-distributed land moves away from its commercial and market-oriented pattern towards subsistence pattern. The production of food crops, in particular, get increasingly pegged against family requirements and thus the share of food commodities flowing into the market place declines.

It is true that the cropping mix on small holdings is generally oriented towards family requirements and that relatively little surplus is available for disposal in the market. In this

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[8] Government of Pakistan, Pakistan Economic Survey, 1974-75, Finance Division, Economic Advisor's Wing, Islamabad, 1975.

context certain facts have got to be taken into account. Firstly, the new farm technology, particularly the high yielding varieties of rice, wheat, and maize, have greatly improved the yield potential of these crops in Pakistan. Even small farmers, with judicious resource use and proper application of new farm inputs, have managed to more than double their wheat and rice production and have thus proved instrumental in boosting the aggregate marketable surplus. As a matter of fact, since the introduction of modern farm technologies in our agricultural sector, the distinction between 'cash crops' and 'food crops' is seldom made. Wheat, rice, and maize that generally used to be grown for family consumption are now being raised for disposal in the market. Secondly, under the impact of additional irrigation supplies, the cropping intensity on irrigated farms has surged up and the rate of increase is the highest on small sized farms. This development has further improved the market participation propensity of the small farmers in particular.

Additionally, it has to be recognized that the expression 'marketable surplus' in itself is quite vague. In the general use of this nation, no distinction is made between the "marketable surplus at the farm gate" and "the marketable surplus at the village-gate". / Even if it is accepted that the redistribution of land from the large farmers in favour of small cultivators causes a shrinkage in the farm-gate marketable surplus, it is not necessarily going to lower down the "village-gate marketable surplus". This is on account of the reason that some of the pre-

reform consumers in the village become producers after getting the land and thus no longer place demand on the food produced by their co-villagers.

This implies that even if the argument contending a decline in the farm-gate marketable surplus is accepted, the effect on the total available food basket to the nation is not likely to be detrimental./ Besides, it has to be recognized that most of the resumed land comprises of culturable wastes or marginally productive parcels. The transfer of such land to landless tillers and consequently its development is bound to contribute towards an increase in the total agricultural production and marketable surplus as well.

GUIDE-LINES FOR FURTHER ACTION

Whereas the over-all gain balance is in favour of land reforms, issues relating to tenurial adjustments and ceilings on owner holdings need more elaborate treatment. In the area of land tenure, emphasis on the security of tenure to the tiller of the land and a guarantee of fair rate of return to the land owners should in no case be minimised. The prevalent practice of output sharing on 50 : 50 basis if properly enforced, seems to be quite rational. Given the present level of farm productivity, this is the basis that assures a rate of return to the land-owner which is reasonably comparable to the rates of return on various types of investment undertakings in the non-farm sector. This arrangement also ensures fair return to the tenant for his managerial

efforts and other contributions towards input costs. Any effort meant to seek a change in the existing output sharing pattern would either leave little incentive for the tiller to put in the needed efforts or will result in large scale capital transfer out of the farm sector as the land-owners would find it more rewarding to liquidate their landed property and to invest the proceeds in non-farm activities.

The tenets of equity as well as the demands of increased farm productivity should also be fully attended to in the input sharing scheme. The input-sharing provisions of the 1971 land reform greatly conform to the genesis of this assertion. However, shifting of the seed-cost burden totally on to the land-owner can work to decelerate the rate of adoption of new seed varieties on the tenant farms. Because the new arrangement leaves lesser incentive for the landlord to show enthusiasm towards new seed varieties, that are generally available at premium prices as compared to the old varieties, knowing that 50 per cent of the yield-gain would be netted by the tenant. It would, therefore, be advisable to split the cost of seed equally between the tenant and the landowner as is the case with regard to other variable inputs like fertilizer and pesticides, etc. Similar provisions should also be incorporated with regard to the purchased tube-well water and tractor cum thresher hiring.

While fixing the ceilings on owner holdings, there are two basic considerations involved. Firstly, the proposed ceilings should be fixed at a level that would generate sizeable acreage so that a significant number of tenants as well as the marginal farmers are able to benefit. A land reform programme that creates only a nominal effect in terms of resumed area rather works to retard productivity by disturbing the social equilibrium in the rural settings.

Secondly, the ceilings on owner's holdings should fully conform to the demands of increased farm productivity. It is well established by now that the farm productivity in the present day dynamics of development, in large measure, is determined by the type of technology in use. The available farm technology is of two types (a) neutral-to-scale technology, and (b) non-neutral-to-scale technology. In the former category fall the high yielding varieties, fertilizer, and pesticides whereas the tube-well, tractor, and thresher technologies belong to the latter category.. Although larger farmers enjoy the recognition of being the adoption-leaders even in the case of scale neutral farm innovations, but this category of farm technology offers no scale constraint to the small farmers as well. As a matter of fact, the small farmers in Pakistan have performed impressively well in the adoption of this kind of technology. It is only in the case of tractor and tubewell that the small farmers have found themselves in a disadvantaged position. In the case of tubewell, however, the development of half a ouse

and quarter of a cusec capacity tubewells has greately minimized the effect of scale constraint on the small farmers. Large number of tube-well installations on small farms in the districts of Gujranwala and Sahiwal, in particular, bear an ample testimony to this fact.

It is, therefore, clear that the scale demand of the tractor technology, provided we opt for a mechanized agriculture, is one of the major determining factor for making the decision regarding the ceilings on owner holdings. Although fractional technology is available in the case of tractor as well, but the structural and textural characteristics of Pakistani soils, by and large, do not offer the technical feasibility for the adoption of small horse power tractors of the type so extensively used in countries like Japan.

In addition to the scale demand of the farm technology, weightage may also be given to another factor. This consideration suggests that the proposed farm size should be large enough so as to ensure a reasonable standard of living to the land owners. Because low incomes to the farming profession may result in the large scale exodus of entrepreneurial talent from the farm sector a consequence that may jeopardise the process of agricultural developement and may also place unnecessary burden on urban employment and civic amenities.

In the light of the aforementioned reasons, one feels inclined to fix the ceilings on owner holdings at 50 acres of irrigated or 100 acres of un-irrigated land. This is the size that still meets the scale demand of both the tractor as well as the tubewell technology.* The net income on such sized farms, invariably, is of a level that can afford a fairly respectable standard of living to the land owners. Farm management studies show that net income on irrigated farms with 50 acre size, is generally in the range of Rs.15,000 to Rs.20,000.[9] As the cost of living in rural areas is relatively lower as compared to the urban areas this level of income is high enough to give a standard of living to this group of farmers that is comparable to the standard of living of the high middle class in the urban areas.

While devising the legislation pertaining to land ceilings, the ceilings should be expressed in acreage and, is no case, in terms of produce index units. It is to be remembered that the produce

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*The increased cropping intensity and higher farm productivity increases the demand for draft power. Therefore, a 40 or 45 horse power tractor is going to be utilized to capacity even on 50 acre irrigated farms.

[9]Mohammad Siddique, "A Study into the Rationalization of Agricultural Taxation in Tehsil Lyallpur", Unpublished M.Sc. Thesis, University of Agriculture, Bench Mark Survey of Shadab Pilot Project, Islamabad 1973, p.66, table 46, and C.E. Finney, "The Economics of Farm Power in the Indus plains of West Pakistan", Unpublished M.Sc. Thesis, University of Reading, 1972.

index units for various types of farm land were worked out, and that two on a priori basis, in the year 1947-48. No revision has been affected in these indices of land productivity since then, although the farm productivity has improved considerably, particularly after the diffusion of modern production inputs in our agricultural sector. The use of this unit not only results in inequitable treatment of various regions in the country but also encourages indulgence in fraudulent practices on the part of the land owners.

The previous land reforms in the country have fixed the ceilings for individuals and not for the house-holds. This provision has been greatly responsible for the limited impact of these land reforms. Because of the defects in various types of records, landlords have managed to retain large tracts of their holdings in the name of their dependents. In order to avoid such fraudulent practices and to make the impact of land reform legislation more meaningful, it would be advisable to fix the ceilings on household basis. In case, this option is less palatable and politically more vulnerable, the number of dependents for each house-hold, who would stand to benefit under the inheritance provisions, should be prescribed. Other dependents may be compensated by the beneficiaries through internal arrangements.*

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*The quantified impact of these proposals on the land ownership pattern and the expected economic gains are tabulated in appendix-I.

The experience in the past shows that the landlords generally surrender their un-productive or marginally productive pieces of land and the cultivators who receives this land have to make extra ordinary efforts and have to make large capital investments for bringing such lands into production. It would be much desirable to institute "enforcement committees" or vigilence committees" in each village that would supervise the resumption as well as the distribution of land among the landless cultivators. The landlord should be given the option to decide with regard to 50 per cent of the land to be surrendered and the decision for the balance should be within the jurisdiction of these committees. These committees should also ensure that the irrigation supply rights for the resumed land are also surrendered by the landlord.

Fairness demands that the landlords should be compensated for the resumed land. The compensation should, however, be in the form of bonds, the counter part funds of which should be used for rural industrialization. These funds should, in turn be raised by selling the resumed land to the tenants and marginal farmers. It is in no way equitable to give the resumed land free of charge to the landless tillers realizing that other components of rural households like farm labour, village artisans, etc., stand to get no benefit out of a land reform programme. The government may, however, give liberal subsidy for making permanent improvements on land and for the installation of tube-wells to the recipients of the resumed land.

In the end, it may be pointed out that the mere redistribution of the resumed land and the improvements in the tenurial arrangements will not give the desired results until and unless necessary reforms in other areas are also affected simultaneously. In this regard expansion and renovation of the institutional credit facilities, enlargement of the communicational infrastructure, reformation of the agricultural taxation system and marketing facilities are of paramount importance.

APPENDIX

LAND-OWNERSHIP PATTERN AFTER THE ENFORCEMENT OF THE PROPOSED CEILINGS.

Farm Size	Number of Farms (in million)	Area Commanded (million areas)
0 12.5	4.25 (79.0)	21.93 (44.80)
12.6 - 25	0.73 (13.60)	12.53 (25.60)
25.1 - 50	0.39 (7.26)	14.47 (29.60)

Note: (1) Figures in the parentheses are the respective percentages.

(2) The ceilings are fixed at 50 acres of irrigated (or 100 acres of un-irrigated) land on household basis. The resumed area is distributed in lots of 12.5 acres or less.

The Expected Gains:*

Farm Productivity = Rs.418 million

Farm Employment = 4,71,000 man-years of Employment

Income Redistributed = Rs.372.58 million

Number of tenants made owners = 1,98,000

*The gain calculations are based on various studies referred to earlier.