



Rural Governance and Inclusive Growth - Linkage and Implications (NCAER – IDRC collaboration)

The Two Elements of Inclusive Growth

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» *Hindu Succession Act Amendment: Empowering Women in Rural India. (Evidence from Maharashtra and Karnataka)*



As the title of this initiative suggests, the notions of rural governance and inclusive growth are often paired in discussions of fiscal and political reform in India and around the world. It is suggested that rural governance and decentralization more generally may be a critical element in ensuring that the benefits of national economic growth are shared broadly across the economy, both between rural and urban areas, and among different groups within rural areas. But while there appears to be some level of consensus about what increasing rural governance means in the context of India, it is less clear what is meant by inclusive growth. This distinction is important because different elements of inclusive growth may be differentially served by increased democratization of rural governance and by fiscal decentralization.

One element of inclusive growth is the notion that the expansion that the

expansion in public resources made possible by higher productivity ought to be widely shared across the population. Even if the primary source of growth is in particular pockets of the economy, concerns of both equity and efficiency would suggest it is not desirable for all public resources to be targeted towards those pockets. Individuals in less rapidly growing areas should also benefit at least in part in terms of better quality health and schooling, functional roads, and access to reliable street lights and clean drinking water. Moreover, within rural areas it is important that these benefits be available to all. While fair and equitable distribution of public resources within rural areas is not a necessary implication of rural democratization and fiscal decentralization, increasing evidence from this initiative as well as an emerging body of research elsewhere suggests that it in fact can play that role. Rural

governance introduces some level of accountability both in terms of stewardship of resources and in terms of ensuring that the interests of numerically large (but poor in terms of social standing or economic resources) groups are accommodated.

But there is another element of inclusive growth, that which is related to whether the benefits of overall productivity expansion result in higher private earnings for all groups within the economy. In short, to what extent will individuals in rural areas and, within rural areas, those not endowed with substantial land or other physical resources, benefit from expanding productivity through access to better paying and more secure employment? This is an active and growing area of research that is also of substantial interest to policy makers. While some would argue that ensuring that new agricultural technologies are in the hands of smaller farmers is sufficient, others place emphasis on the growth of the non-farm sector as a source of employment in rural areas. It has been argued, for example, that in a setting in which villages are relatively isolated, agricultural productivity enhancement increases both land rents and wages and thus results in benefits to both rich and poor. On the other hand as a village becomes more integrated this may no longer be the case. Because land does not move but workers and investment capital do move, the local wage may respond slowly if at all to local agricultural productivity increases and thus most benefits of such growth will accrue to land-owning households. Moreover increased mechanization may displace workers as well as decrease the cost advantage of small farms that rely primarily on family labor, thus lowering wages and the financial viability of small farms. From this

perspective investment and support of employment that is not intensive in the use of land can be a key mechanism to reduce rural inequality. Investment in particular in non-farm activities that make use of local agricultural inputs may be particularly helpful as it ensures that expanding agricultural productivity (which will depress local non-labor input costs) translates into better rural jobs.

The role of fiscal decentralization and rural governance reform in expanding rural earnings growth is less clear. Certainly such things as providing better schools increase the potential for good-quality employment both within the village and as a result of migration to urban areas. Migration also may have favorable effects on those not moving by reducing labor supply and through remittances that expand local incomes and increase the demand for local services. Also an adequate and fair basis for policing and dispute resolution can help to ensure that property rights are secure and thus increase the scope for the efficient allocation of financial assets towards non-farm activities. But many things that might otherwise promote growth in employment in rural areas such as more competitive financial markets, reliable power for businesses, and better access to markets appear to be beyond the scope of the governance of single villages. If the rural areas are to be successful in this latter regard, it is through working together to ensure that the interests of the rural poor are met in terms of promoting the competitiveness of rural economic activity. But if so, rural governance must be thought of as an integral part of a larger political system rather than an isolated entity that serves to ensure that the spoils of wider economic growth are equitably distributed.

(Evidence from Maharashtra and Karnataka)

Women in India have been subjected to discrimination for a long time due to various legal provisions, social norms and customs that are biased against them. The gender bias seems to persist despite numerous efforts to bring about greater gender equality. Post-independence, the first major initiative in this direction was the Hindu Succession Act, 1956 (HSA). However, this fell short of expectations as the inheritance laws remained biased against women as according to the provisions of this Act, daughters' claim to their father's joint property remained restrictive. It should however be pointed out that a number of southern states amended the HSA by stipulating equal status for women with men, with Andhra Pradesh, Tamil Nadu, Karnataka and Maharashtra amending the HSA in the years 1986, 1989, 1994 and 1994, respectively. Kerala went a step further by abolishing the Joint Hindu Family System in the year 1976. The rest of the country however continued with the HAS.

In 2005, HSA 1956 was amended to reduce the extent of discrimination against women by extending its coverage to the entire country along the lines of amendments introduced in the southern states. The 2005 Amendment (HSAA) covered the entire country. Its legal provisions were touted to be vastly instrumental in reducing gender inequality in the country by conferring equal rights to women over ancestral property. It is regarded as a major step towards achieving greater social and economic empowerment of women.

It would be interesting to explore whether changes in inheritance legislation over the period have contributed to improving the physical and human capital assets of women and the consequent changes in the status of women. A related issue worth examining is the mechanism through which such laws benefit women and whether fine-tuning of legal laws is an effective way to bring about the equality long denied to Indian women. It is generally agreed, especially from the policy perspective that a great deal still needs to be

done in India towards ensuring gender equality in almost every social and economic sphere.

The current evidence suggests that women's ability to control and access resources such as land and independent income confers long-term benefits such as reduction in fertility, higher investment in children's education, nutrition and well-being. Studies find that a child's well-being is strongly correlated with female's income relative to that of men's, since females devote a higher proportion of their income to family needs. In China, for example, higher female incomes following agricultural reforms have been accompanied by a higher survival rate for girls. In India, exogenous increases in female income among lower castes have resulted in significantly increased investment in schooling for girls. There is evidence to show that restrictions on women's land rights and tenure security not only affect their bargaining power but also lead to significant productivity losses .

The empirical findings reported in the paper *Do Changes in Inheritance Legislation Improve Women's Access to Physical and Human Capital? Evidence from India's Hindu Succession Act* by Aparajita Goyal, Klaus Deininger, and Hari Nagarajan (2010) bring out some significant implications of the HSAA. The research is based on data from the 2006 round of the Rural Economic and Demographic Survey (REDS) dataset conducted by NCAER on 1,371 rural Hindu households in both Maharashtra and Karnataka. The REDS dataset contains comprehensive information on demographic characteristics, patterns of inheritance and asset ownership over three generations of individuals (parents, siblings and children of household heads), which allows the examination of intergenerational transfers of physical and human capital following amendments in inheritance legislation. Information on the amounts of land inherited by males and females at the time of the father's death allows us to identify the impact of the 1994 Amendment from the fact that legal changes affect the likelihood of females receiving property but does not affect males. The key findings are

summarised as under:

Empirical Results

Land Inheritance

The key results indicate that HSAA has significantly increased the likelihood of females inheriting land, suggesting that after the Amendment women have a better chance of inheriting land. However, even after the legislative reform it was noted that full gender equality in land inheritance remains a distant goal. Since a positive time trend of the estimated effect was noted due to learning by affected households, it suggests that dissemination of the changed legal provisions might be desirable.

Age at Marriage

Regarding the marriageable age of girls, it was found

Inter-Generational Household Characteristics

	Total Sample	Father Alive	Father Dead	
			Died before 1994	Died after 1994
Panel A: Generation I				
Year of birth	1927	1940	1920	1932
Land ownership %	0.75	0.72	0.74	0.77
Years of schooling	1.78	1.83	1.76	1.82
Spouse's education	0.78	0.83	0.74	0.83
Number of male children	2.25	2.24	2.2	2.36
Number of female children	2.13	2.22	2.13	2.12
Number of observations	1371	318	641	412
Panel B: Generation II				
Men				
Year of birth	1956	1962	1950	1961
Years of schooling	4.76	4.75	4.78	5.22
Unmarried in 1994 %	0.15	0.27	0.07	0.18
Inherited any land %	0.53	0.05	0.67	0.7
Spouse's education	2.71	2.97	2.35	2.50
Number of children	2.50	2.51	2.42	2.57
Age at marriage	21.52	20.78	21.55	21.45
Number of observations	3721	842	1451	1171
Women				
Year of birth	1959	1964	1954	1962
Years of schooling	2.73	2.91	2.71	2.74
Unmarried in 1994 %	0.12	0.23	0.07	0.13
Inherited any land %	0.17	0.03	0.11	0.33
Spouse's education	4.74	4.78	4.64	5.02
Number of children	2.45	2.45	2.25	2.76
Age at marriage	16.88	16.93	16.81	17.03
Number of observations	2730	611	1010	855
Panel C: Generation III				
Men				
Year of birth	1982	1991	1979	1986
Aged 0-5 in 1994*	4.41	4.72	4.32	4.75
Aged 6-12 in 1994*	4.40	4.48	4.27	4.43
Aged 13-18 in 1994*	4.37	4.31	4.23	4.42
Number of observations	1487	311	756	420
Women				
Year of birth	1983	1992	1979	1986
Aged 0-5 in 1994*	3.75	3.62	3.97	3.96
Aged 6-12 in 1994*	3.33	3.22	3.36	3.26
Aged 13-18 in 1994*	2.85	2.87	2.94	2.96
Number of observations	1256	233	673	350

before the reform, the age of marriage of daughters relative to the age of sons did not change, even if the marriage occurred before or after 1994. This finding is in line with the hypothesis that women, whose fathers had died before 1994, did not benefit from the reform.

Educational Attainment

HSAA has also led to a significant increase in girl's educational attainment, which is evident from the improved socio-economic status of women, rather than a substitution away from human capital to physical capital transfer by parents to their daughters, following the legislative amendment.

The results outlined in the research paper clearly demonstrate the positive impact of the legal amendment in both these states. Moreover, it proves how laws can be an important instrument in improving other aspects of women's lives, such as higher educational attainment and smaller family size. Thus, they can actually help women achieve equal status in society.

Key Findings:

- The HSAA has increased the likelihood for women to inherit the land, though the underlying inequality still exists.
- An increase in age of women at the time of marriage. The effect is found to increase with the level of education of father.
- A beneficial impact on marriage outcomes for female as suggested by negative effect on number of children and positive effect on spouse's education.
- The women's educational attainment also

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