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TITLE: Did Land Tenure Insecurity Cause Decline in Productivity and Investment in Sugar Industry? Evidence from Fiji

Abstract

Security of land tenure is a major challenge to the sugar industry in Fiji, where bulk of the sugarcane is grown on tenanted land. Individuals have access to land only through the leasing system because the law does not allow permanent sale of land. However, the weak tenure within the local leasing system does not guarantee the tenants to possess land for indefinite future. The uncertainty and non-renewal of leases has dampened incentives for tenants to undertake investment and increase sugar cane productivity. Recently, the Government has made commitments to bring efficiency in the leasing system through land reforms. With the aim of contributing to the land reforms, this paper investigated the impact of land tenure insecurity on investment and productivity of sugarcane using micro-level data from Ba province. After controlling for potential endogeneity of tenure choice using instrumental variable method, our results suggest that insecure land tenure has significantly negative impact on productivity and investment of newly planted cane. On average, productivity decreases by 9 – 12 tonnes per hectare while cane planting drops by 0.19 – 0.24 hectares under weak tenure system when leases are expiring within five years compared to secured tenure. Tenure insecurity also negatively affects chemical fertilizer use, though the impact is not statistically significant. The results indicate that improving tenure security for tenants will enhance improvements in productivity and encourage investment in sugar industry.