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## Determinants of Household Participation in Land Rental Market in Rural China: Evidence from Henan Province

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### Abstract

Economic reforms in rural China have led to the emergence of land and labour markets. The development of rural land rental markets can improve agricultural productivity and equity by facilitating transfers of land to more productive farmers and facilitating the participation in the non-farm economy of less productive farmers. In recent years the incidence of land rental activities has increased rapidly. There are large differences of households' participation in land renting activities, both between regions and within regions. The purpose of this study is to analyse the factors affecting households' participation in land rental markets in one of the big agricultural provinces in China, namely Henan Province. Data from 464 households in three counties are used to analyse the participation in land rental markets. Multinomial logit model and tobit model are used to identify the determinants for households' land rental participation and rental size. The results show that households' land endowment and off-farm employment are the main incentives for households' land rental participation. However, this participation decision is constrained by household's labour resource endowment and the opportunity cost of off farm employment. Institutional factors, such as the reallocation times in the village and village-level indicators of land-transfer rights have significant impacts on households' land rental participation, while the expectation of the next reallocation and land contracts do not play a significant role in land renting activity. Among all of the households' characteristics variables, only household heads' age has a significant influence on the participation in land rental market. The main recommendations of this study are policies to secure the land tenure and reduce transaction cost of land transfer; this will stimulate the development of rural land rental markets. Appropriate measures in providing more off-farm work opportunities will increase the potential supply of land.

**Keywords:** China, land rental markets, off-farm employment, tenure security