



## **Contractual Duration and Investment Incentives: Evidence from Large Scale Production Units in China**

Fang Li (1,2), Shuyi Feng (1), Marijke D'Haese (2), Hualiang Lu (3), and Futian Qu (1)

(1) China Centre for Land Policy Research & College of Public Administration, Nanjing Agricultural University, Nanjing, China (lfy0101@gmail.com), (2) Department of Agricultural economics, Ghent University, Gent, Belgium (Fang.Li@UGent.be), (3) School of Business Administration, Nanjing University of Finance and Economics, Nanjing, China

Large Scale Production Units have become important forces in the supply of agricultural commodities and agricultural modernization in China. Contractual duration in farmland transfer to Large Scale Production Units can be considered to reflect land tenure security. Theoretically, long-term tenancy contracts can encourage Large Scale Production Units to increase long-term investments by ensuring land rights stability or favoring access to credit. Using a unique Large Scale Production Units- and plot-level field survey dataset from Jiangsu and Jiangxi Province, this study aims to examine the effect of contractual duration on Large Scale Production Units' soil conservation behaviours. IV method is applied to take into account the endogeneity of contractual duration and unobserved household heterogeneity. Results indicate that farmland transfer contract duration significantly and positively affects land-improving investments. Policies aimed at improving transaction platforms and intermediary organizations in farmland transfer to facilitate Large Scale Production Units to access farmland with long-term tenancy contracts may therefore play an important role in improving soil quality and land productivity.