

India needs to trust its farmers and set them free

Farmers have a bad romance with the Indian polity. On the one hand, India loves, even worships, these farmers. On the other, Indian policymakers create the most impossible regulatory environment for the agricultural sector, trapping farmers in a low-income, low-productivity occupation. The latest protest in Maharashtra is just another reminder of the hardships the average Indian farmer faces.

The basic malady is known—too many people are unproductively engaged in agriculture, depressing agricultural incomes. The only way to solve the farmers' problem is to make entry to other sectors attractive by creating employment opportunities, and to make it easy to exit farming. But the entangled myriad state-level regulation has gotten in the way.

Barriers to entry into the labour market are well known. Oppressive labour regulation creates a large, vulnerable and informal market that is less attractive for farmers, and job creation has not kept pace with population growth trends. The bigger problem for farmers, however, is the barriers to exit, which has attracted little discussion in policy circles.

Typically, while trying to leave the agricultural sector, land owners may wish to sell, lease, or use their land for non-agricultural purposes. However, Indian states have very restrictive regulation on sale, tenancy and land use, making it quite difficult to exit agriculture.

First, it is quite difficult to sell agricultural land. Most state laws only allow Indian resident individuals to acquire agricultural land. Not even all resident Indians are allowed to buy land, the sale can only be made to an agriculturist. In the 1950s, policy-makers believed that non-agriculturists would attempt to hoodwink farmers by buying their land at throwaway prices with little intention to farm. They feared this would lead to increase in food prices and leave naïve and illiterate farmers vulnerable. To prevent this, most states permitted only agriculturists to buy agricultural land; the definition of an agriculturist (often based on income from non-agricultural sources) tends to be restrictive, though different in each state. If one does find an agriculturist willing to buy land, this buyer is limited in the acreage that can be bought (sometimes as low as 10 acres).

This prevents entrepreneurs from investing in agriculture. And by limiting income from other sources, it prevents entrepreneurs from diversifying their investments. The restrictions on size prevent new entrants to large scale-farming. These state laws, intending to protect farmers, have unintentionally made the market for agricultural land smaller, and consequently depressed land prices.

Second, to use agricultural land for non-agricultural purposes, states require owners to obtain a change of land use certificate—a process that involves a number of permissions. In most states, this may take years and a hefty sum in bribes. This makes it difficult for farmers to exit agriculture by using the land for a different purpose. In a country that is quickly urbanizing, with a large number of potential developers trying to buy land, this is one of the worst regulations affecting farmers. The new use allowed after acquiring the certificate increases the value of land. This has resulted in a dual market for agricultural land (and therefore two prices)—one with the change of land use certificate and one without. The certificate in hand can command between 10-40 times the price of land without such a certificate. However, in most states, only the buyer can request this certificate, leaving farmers trapped because they only get the depressed price for their land which can only be used for agriculture purposes.

When farmers refuse to sell land at depressed prices, land acquisition laws allow the state to use

eminent domain power to take property for both public and private use, for a very large number of purposes. Farmers who refuse to sell their land to developers may often lose it to the state for measly compensation.

Third, if a land-owning farmer wants to exit farming, it is difficult to lease out agricultural land. Agricultural tenancy was regulated to protect the tenant. The extremely cumbersome formal process has consequently created a high reliance on informal tenancy arrangements, which require landlords to constantly monitor tenancy contracts, leaving tenants vulnerable to eviction. Simplifying and making all types of tenancy/ leasing options easily enforceable would help solve this problem. This would allow land-owning farmers to exit farming and look for other opportunities while providing tenants stability.

With these barriers to exit it is no wonder that farmers are protesting and, in more tragic cases, committing suicide. Imagine there is a fire and the farmers are locked inside the burning building by a paternalistic state. This entangled mess of agricultural regulation is difficult to resolve quickly. Regulating agricultural land falls under the State List in the Seventh Schedule of the Constitution. So each state has its own laws relating to land usage rights and ownership. While some states are better than others, sale, use, and tenancy are still restricted and cannot be undone swiftly across India.

In India, we like to romanticize, worship, even deify our farmers. This emotional attachment comes with a side of paternalism. They need our trust, not worship. We need to treat them like adults who know their best interest, which often is to exit the agricultural sector. But the barriers to exit, intended to protect them, are trapping them. Indian farmers are experiencing filicide, not paternalism.

Shruti Rajagopalan is an assistant professor of economics at Purchase College, State University of New York, and a fellow at the Classical Liberal Institute, New York University School of Law.

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