Source : www.indianexpress.com Date : 2019-08-19

HIGH POWERED COMMITEE FOR TRANSFORMATION OF AGRICULTURE SHOULD REFORM RESTRICTIVE TENANCY LAWS

Relevant for: Indian Economy | Topic: Land reforms in India

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Early in its second term, on July 1, the Narendra Modi government constituted a High Powered Committee of Chief Ministers for Transformation of Indian Agriculture. Maharashtra Chief Minister Devendra Fadnavis was appointed the committee's convenor. The Committee is supposed to submit its report within two months. Its terms of reference (ToR) pertain largely to matters related to agri-markets. This includes reforming the Agricultural Produce and Livestock Contract Farming and Services Act of 2018 and the Essential Commodities Act (ECA) as well as suggesting measures to reinvigorate the e-Nam scheme.

The ToR does talk of quality seeds and farm machinery but the emphasis seems to be on getting the markets right. We welcome this approach. In fact, we have, in the past, argued for the necessity of setting up an Agri-Markets Reforms Council on the lines of GST Council ('First, the low hanging fruit' IE, May 27).

However, transforming agriculture in the medium to long run requires fundamental reforms in land institutions as well. This is what is missing in the new committee's ToR. It may be worth recalling that in its first term, the Narendra Modi government had set up an expert committee on land reforms, chaired by T Haque, which recommended a Model Land Lease Act (2016). The High Powered Committee of Chief Ministers should give urgency to the implementation of this recommendation. Better late than never.

Two fundamental reasons make it imperative that urgency is accorded to the liberalisation of land lease markets. One, the size of the average holding has been declining in India for long **(see figure 1)**.

This raises questions about the economic viability of such tracts, especially since they do not provide a respectable income to farmers. Two, restrictive tenancy laws have generated oral (informal) tenancy that is said to be much higher than formal tenancy in magnitude. This is adversely impacting land-use efficiency.

As per official records (NSSO, 2012-13), only about 10 per cent of agricultural land is under tenancy, down from 20 per cent in 1953-54 **(see figure 2)**.

However, experts believe that official estimates hugely under-report actual tenancy. It is generally believed, based on several micro-level surveys, that about a third of the agricultural land in India is under tenancy. It is oral tenants who are most insecure. They do not have legal sanction and are not recognised as farmers. This deprives them from availing institutional credit, crop insurance, government-sponsored social benefit schemes and relief support. The fear of eviction from the land also disincentivises them from making long-term investments in land improvement. This results in low capital formation and hurts farm productivity. Even the landowners fear losing their proprietory rights, if they lease out for longer periods. As a result, many of them prefer to keep their lands fallow. Rough estimates suggest that about 17 million hectares of cultivable land in the country is lying fallow.

In this context, it may be worth noting that China has lately revised its land lease laws, where farmers can lease out their land, even to corporate entities for cultivation for up to 30 years. Such a move can help attract long-term investments in high-value crops — those grown in orchards, for example.

One reason landowners fear leasing out their lands for long is the absence of tamper-proof land records with the revenue departments. So, one of the lowest hanging fruits is to digitise and geo-tag land records and link them with Aadhaar and the bank accounts of farmers. This will create a centralised, transparent and easily assessable land records system. It can then help any class of farmers operating a piece of land to access bank credit and crop insurance. Some efforts are underway in this area, but the results are far from satisfactory. Only three states (not union terrritories) — Odisha, Sikkim and Tripura — have completed 100 per cent computerisation of land records. Many others have computerised 80 to 95 per cent of their land records. Liberalising land lease markets, with computerisation of land records and geo-tagging of farms, though challenging, can give a high pay-off with enhanced capital formation. Crop insurance could also be linked to this platform.

In this context, one may revisit Andhra Pradesh's Land Licensed Cultivators Act, which has provided suitable channels to deliver loans, subsidies, crop insurance and relief support. It does so by issuing eligibility cards to tenants, who raise crops with the explicit or implied permission of the owners.

Kerala's Kudumbashree initiative is another innovation that is making strides in poverty eradication and women empowerment. Under the initiative, women are motivated to become members of joint liability groups (JLG). They then cultivate leased land with assured access to agricultural credit from NABARD and other banking institutions, increasing their returns from farming. Andhra Pradesh's and Kerala's innovative institutional experiences offer key lessons for policymakers to liberalise restrictive land leasing laws in the country, while fully protecting the land rights of the owners.

Reforms in land markets have been pending for a long time due to lack of political will. But in its second stint, the Modi government has the political mandate to carry out these reforms. It is an opportune time for the High Powered Committee of Chief Ministers to carry out fundamental structural reforms in the institutions which govern land markets. Can they do so? Only time will tell.

This article first appeared in the August 19 print edition under 'From Plate to Plough: Unlock the land markets'. Gulati is Infosys Chair Professor for Agriculture and Juneja is a consultant at ICRIER

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