Access to Land: Some Issues

Srijit Mishra, Indira Gandhi Institute of Development Research

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This version: 10 December 2010

Abstract:
The paper, or rather note, is a brief review of some existing literature. It underscores the need for improved land access to the tiller from the point of view of both equity and efficiency. Some of the suggestions are: (i) opening up of the land lease market so that tenancy does not go underground (ii) in states like West Bengal where tenancy is protected, provision could be made to make them owners in part of the land while giving up claims for the rest, (iii) reduce transaction costs in land markets, which include fees but also bribes being paid, (iv) as there is a lot of vested interest in land, efforts should be made to make the transfers transparent, (v) moratorium on ceiling distribution land could be removed after a lag to enable people who have moved out of agriculture to sell the same, (vi) buying of land by the Government at market rates for distribution among the landless, and (vii) ownership rights for women members of households, (viii) while distributing homestead plots, provisions could be made for kitchen gardens to enable some livelihood options, and (ix) build people’s institutions and strengthen civil society to provide some checks and balances.

Key words: agriculture, land, lease, property rights, tenancy.

JEL Codes: O13, Q15

Introduction:
Crisis in Indian agriculture has two dimensions, the agrarian and the agricultural. The former refers to the livelihood crisis of those dependent on agriculture and it includes the tillers of the soil who do not have access to land and other inputs whereas the latter refers to the developmental crisis on account of poor designing of programmes and inappropriate allocation of resources and it includes the increasing allocation of land for non-agricultural purposes. These two are interrelated because what the individual farmer faces has structural underpinnings. In developmental discourse these can be identified

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1 Based on a presentation made at the National seminar on ‘Land Policies for Accelerated and Balanced Rural Growth’, India International Centre (Main), New Delhi, organized by Rural Development Institute and Council for Social Development, New Delhi, 9-10 November 2010.
2 Associate Professor, Indira Gandhi Institute of Development Research, General Arun Kumar Vaidya Marg, Goregaon (East), Mumbai-400065, India, Email: srijit@igidr.ac.in.
3 The discussion on this, which is elaborated further in the section on ‘Crisis in Indian Agriculture’, borrows from the author’s recent work on related themes, Mishra (2009), Mishra and Reddy (2010) and Reddy and Mishra (2009); also see Government of India (2007).
with the displacement of people on the one hand and the displacement of ideology on the other hand (Bhaduri 2008).

**Crisis in Indian Agriculture**

*Agrarian Livelihood Crisis:*

Some features of the current agrarian livelihood crisis are the following:

- Declining share of agriculture in national income. Growth in gross domestic product (GDP) has been higher than agricultural-GDP, but what is of concern is that agricultural-GDP’s growth rate in the 1990s (1993-94 to 2004-05) was lower than that in the 1980 (1983-84 to 1992-93) whereas for overall GDP the growth rate was much higher in the 1990s. The share of agricultural-GDP to total GDP decreased from 30 per cent in 1993-94 to 30 per cent in 2004-05.

- High dependence on agriculture. Employment and unemployment situation based on the National Sample Survey (NSS) indicate that share of employment in agriculture reduced from 64 per cent in 1993-94 to 57 per cent in 2004-05. This is indicative of limited non-farm opportunities in rural India.

- Increasing feminization of agriculture. Using NSS data for rural areas one further observes that the proportion of female headed households increased from 9.7 per cent in 1993-94 to 11.3 per cent in 2004-05. Further, the number of persons employed in agriculture declined from 64 per cent in 1993-94 to 57 per cent in 2004-05. This is indicative of limited non-farm opportunities of going out from agriculture.

- Waning profitability and poor returns. The Situation Assessment Survey (SAS) of farmers carried out as part of NSS in 2003 suggests that per capita per day returns from cultivation is less than eight rupees in 2002-03. Again, from the survey it is said that 40 per cent of the farmers did not want to continue farming largely because of poor returns that makes agriculture a difficult livelihood option.

- Rise in undernourishment among farmers. Using poverty line updating done by the Planning Commission the total number of poor among farmers decreased from 223 million in 1983-84 to 63 million in 2004-05, but while calculating calorie poor using 2400 calorie as a norm then the total number of poor increased from 153 million to 200 million in the same period.

- Marginalization of holdings. Based on NSS of 2004-05, one observes that from all rural households the size-class of land cultivated in 2003-04 is distributed as follows: 62.1 per cent had up to 0.40 hectares (landless and lower marginal holdings), 17.1 per cent had between 0.41-1.00 hectares (upper marginal holdings), 11.3 per cent had between 1.01-2.00 hectares (small holdings) and 9.5 per cent had 2.01 and above hectares.
Increasing incidence of farmers’ suicides in India. Between 1995 and 2008, suicide mortality rate (suicide deaths for 100,000 persons) for male farmers increased from 9.7 to 18.0 and that for non-farmers increased from 12.6 to 14.1. For 2006-08, average suicide mortality rate of male farmers is 18.1. Some of the major states where it is higher than this are Kerala (271.6), Maharashtra (59.5), Chhattisgarh (59.2), Andhra Pradesh (37.1), Karnataka (32.7) and West Bengal (20.9). Being a rare event, relatively higher incidences among farmers is symptomatic of a larger socio-economic malaise. For every single suicide death, hundred thousands of farmers are in distress.

Figure 1: Suicide Mortality Rate (SMR) for Males, Farmers and Non-farmers, 1995-2008

Note: Calculations exclude Tamil Nadu for 1995 and Jharkhand for 2003; method is as elucidated in Mishra (2006).
Source: National Crime Record Bureau (Various Years) and Census of India, 1991 and 2001.

Agricultural Developmental Crisis:
Some features of the agricultural developmental crisis are the following:

- Declining production and productivity. Compared to 1980s (Triennium ending, TE 1981-82 to TE 1993-94), the 1990s (TE 1994-95 to TE 2007-08) had trend growth rates that were statistically significantly lower for almost all crop groups with regard to production, productivity and value. For instance, annual trend growth rate for productivity for different crop groups or crops for the two periods respectively are as follows: cereals (3.5 per cent, 1.4 per cent), pulses (1.6 per cent, 0.2 per cent), oilseeds (2.9 per cent, 1.3 per cent), sugarcane (1.8 per cent, -0.2 per cent), cotton (3.0 per cent and 2.0 per cent), coconut (2.9 per cent, -0.1 per cent), and potato (1.8 per...
cent, 0.7 per cent). What is more, the 90s growth rate for cereals, pulses and oilseeds is lower than the 1.9 per cent growth rate of population based on censuses.

- Decline of public investment in irrigation and other infrastructure. Public gross fixed capital formation in agriculture as a proportion of agricultural-GDP declined from 5.3 per cent in the sixth plan (19980-81 to 1984-85) to 2.1 per cent in the ninth plan (1997-98 to 2001-02) and then increased to 3.0 per cent in the tenth plan (2002-03 to 2006-07). Further, during 1990-91 to 2006-07 the growth of area under irrigation has been negative for canals and tanks, but positive for borewells/tubewells and other sources. The demise of public systems led to the emergence of private systems, which started a tragedy of commons identified with declining ground water and escalating costs, particularly in Andhra Pradesh.

- Inadequate supply of credit from formal sources. The All India Debt and Investment Survey (AIDIS) of 2003 and comparable earlier surveys indicate that the share of debt for cultivator households from formal sources increased from 32 per cent in in 1971 to 66 per cent in 1991 (post bank nationalization and other developments period), but reduced to 61 per cent in 2002 (post liberalization period). The loan from informal sources was at a greater interest burden. Further, during the 1990s and till six/seven years ago the number of rural branches declined, the number of agricultural borrowal accounts declined, share of area under marginal holdings increased but the share of credit disbursed to the group decreased. There are no mechanisms to address non-willful default to formal sources arising out of crop failure, price shock or other genuine contingencies faced by the farmer. The recent debt waiver of 2008 is a book keeping exercise that will clear the non performing assets of the banks and to that extent the loan burden of the farmer and makes her/him eligible for further credit. This, however does not address the how to improve the poor returns to cultivation.

- Failure of research and extension. The green revolution technology of the 1970s was largely meant for rice and wheat under irrigated conditions. This has meant a neglect of millets and pulses that are grown under rain-fed and dry land conditions in large parts of the country. Further, research has been compartmentalized to a mono-crop based system that puts practices like inter-cropping and crop rotation to the background. To add to this, continuing education and further recruitment of extension workers were stopped as part of fiscal discipline adopted by the governments since early 1990s. Moreover a hierarchy has been put in place with the scientist at the top, extension worker in between and farmer at the bottom such that knowledge production and dissemination, instead of a two-way process, is on top-down basis.

- Changing technology and market conditions has increased uncertainties in product and factor markets. There has been a shift in agricultural practices from the farmers owning his own seeds and using other locally available resources to one where the farmer is increasingly dependent on the market for technology and inputs – seeds, fertilizers and pesticides among others. As a consequence of this, one has observed deskilling among farmers as traditional knowledge becomes redundant, there is
supplier-induced-demand, and the farmer is exposed to input shocks in price and quality besides the output shocks in price and quantity.

- Increasing demands for non-agricultural use of land and water. A matter of concern in recent years is that agriculturally prosperous land are increasingly being lost to urbanization and other projects under Special Economic Zones (SEZs) and industrialization among others.

**Matrix of Issues:**
The farmer is exposed to a multitude of risks – vagaries of weather, input prices, spurious inputs, output prices and other exigencies. Some of the concerns can also be summarized under a matrix of issues given in Table 1.

<table>
<thead>
<tr>
<th>Issues</th>
<th>Demand</th>
<th>Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output, Price, Income</td>
<td>Yield risk: weather, power, pests, spurious inputs; Not profitable; Poor returns</td>
<td>Increased price volatility; High subsidies in the United States and European Union; Low tariff; Minimum Support Prices are not always functional; Futures are a virtual medium that will provide little or no help to the farmer</td>
</tr>
<tr>
<td>Input</td>
<td>Supplier-induce-demand; Deskillling; Increasing costs – tragedy of commons</td>
<td>Poor link between research and extension; Unregulated private suppliers; Inadequate public investment</td>
</tr>
<tr>
<td>Credit</td>
<td>Formal sources – not timely; Repayment difficult under yield/price shocks; System draws farmers into credit; Consumerism</td>
<td>Decline in branches; Decline in agricultural/net bank credit (direct); Increasing reliance on informal sources at higher interest burden</td>
</tr>
<tr>
<td>Land</td>
<td>No access to tiller</td>
<td>Increased demand and land acquisition policies for private entities with public support for non-agricultural usage has reduced supply for agricultural purposes</td>
</tr>
<tr>
<td>Other</td>
<td>Dominance of lender/input dealer; Higher family size; Lack of social support</td>
<td>Interlinked markets; Non-farm option is limited; Pub health response (farmers); Pesticide availability</td>
</tr>
</tbody>
</table>

**Risks: Access to Land and Inputs**
One can further elaborate on the risks by comparing alternative practices and the farmer’s access to land and inputs. This is done through the prism of choice of technique (Sen 1960) where an improvement is considered as one where either input reduces or output increases. An illustration is given in Table 2. Under rented land with input intensive technology, the per annum value of input is 2 units and output is 4 units giving a net return of 2 units and from this consumption is of 1.4 units and savings is 0.6 unit. The cumulative savings at the end of three years would fall short of meeting input costs and
providing for consumption at slightly reduced level. Thus, to make ends meet the farmer would have to borrow in a bad year.

In the low external input under rented land, the per annum value of input is 1.2 units and the output is 3.0 units, 3.5 units and 4.0 units in the first, second and third years respectively. As a result the net returns, consumption and cumulative savings keep increasing. In this scenario, the cumulative savings at the end of the third year can compensate for input costs and consumption at a slightly reduced level but still leaves the farmer with some amount of savings.

Low external input under own land will reduce input costs as the farmer does not have to pay rent, but output will remain the same as that of the second scenario. Net returns, consumption and cumulative saving will be relatively higher such that in a bad year it compensates for consumption and there are some savings left that could even help if there is a problem for the second consecutive year. However, the tiller, in large parts of India, does not have access to land. This takes us to the unfinished tasks in land reforms.

<table>
<thead>
<tr>
<th>Technology</th>
<th>Year</th>
<th>Input</th>
<th>Output</th>
<th>Net Return</th>
<th>Consumption</th>
<th>Cumulative Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rented land, input intensive, T⁰</td>
<td>1</td>
<td>2.0</td>
<td>4.0</td>
<td>2.0</td>
<td>1.4</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>2.0</td>
<td>4.0</td>
<td>2.0</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>2.0</td>
<td>4.0</td>
<td>2.0</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>1.5</td>
<td>0.5</td>
<td>-1.0</td>
<td>1.0</td>
<td>-0.2</td>
</tr>
<tr>
<td>Rented land, low external input, T₁</td>
<td>1</td>
<td>1.2</td>
<td>3.0</td>
<td>1.8</td>
<td>1.3</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>1.2</td>
<td>3.5</td>
<td>2.3</td>
<td>1.5</td>
<td>1.3</td>
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<tr>
<td></td>
<td>3</td>
<td>1.2</td>
<td>4.0</td>
<td>2.8</td>
<td>1.8</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>1.2</td>
<td>1.0</td>
<td>-0.2</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td>Own land, low external input, T₂</td>
<td>1</td>
<td>1.0</td>
<td>3.0</td>
<td>2.0</td>
<td>1.4</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>1.0</td>
<td>3.5</td>
<td>2.5</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>1.0</td>
<td>4.0</td>
<td>3.0</td>
<td>1.9</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>1.0</td>
<td>1.0</td>
<td>0.0</td>
<td>1.4</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Note and Source: Based on similar exercises in Mishra (2008), Mishra and Gopikrishan (2010) and Government of India (2010).

Unfinished Tasks in Land and Tenancy Reforms:
The important issues under land and tenancy reforms are as follows:⁴

- Abolition of Intermediaries. This is with regard to Zamindar and other intermediaries who had a share, sometimes a substantial amount, in the rent. The association of

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⁴ This is largely based on the discussions in Besley and Burgess (2000), Government of India (2009), Hanstad and Nielsen (2009), and Mearns (1999).
these Zamindar’s and their intermediaries with the exploitative British made it easier to address this. This has been abolished across India.

• Tenancy Reforms. The purpose of this to regulate contracts between a land owner and a tiller by registration and stipulation of the terms or by abolishing tenancy. Tenancy reform had a lot of resistance at the legislature and also implementation level because of vested interest from the landed gentry. In some cases, where tenancy is abolished in paper, it has gone underground and it is difficult to estimate its nature and extend based on surveys. This is an unfinished task.

• Land Ceiling. The agenda here is to distribute surplus land to landless so that land is with the tiller. Such an arrangement also supported efficiency because of the inverse relationship of size-class with productivity. Unfortunately, the failure to implement land ceilings was even more evident. Loopholes in the policies and delays led to its tardy progress. With increasing marginalization of holding, its relevance will reduce, but this continues to be another unfinished task.

• Consolidation of Holdings. The idea is to bring all lands of a cultivator together to reduce transaction cost and thereby increase productivity. Consolidation was less enacted and poor land records also made it difficult. This also remains as an unfinished task.

Suggested Measures:
Providing greater access to the tiller is appealing from equity as well as efficiency perspective. However, it is not that simple a proposition, as it raises questions on property rights. Nevertheless, some suggestions are as follows.\(^5\)

• The land-lease market should be opened-up in states where it is illegal so that tenancy does not go underground. One should accept tenancy, but guard against reverse tenancy.

• In states where tenants are protected, like West Bengal, there could be provision of making them owners on part of the land while giving up their tenancy rights on the remaining part. This will benefit the land owners as also the tenants.

• Transaction costs in land markets should be reduced. This includes the official fees on account of documentation as also bribes paid in the process.

• Moratorium on land obtained through distribution of ceiling surplus land should be removed after a time lag. This will enable a person or household that has moved out of agriculture to sell the same and move into other activities.

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\(^5\) This is largely based on the discussions in Government of India (2009), Hanstad, Haque and Nielsen (2008), Hanstad and Nielsen (2009) and Prosterman (2009).
• Efforts should be made to improve administration and enforce transparency so as to do away with rent seeking. Revenue department is known for rent-seeking in public perception.

• Women should be given independent or joint land rights. This will increase their status and bargaining power.

• The government can consider buying land to distribute. If market rates are paid then the existing land owners who do not have much stake in agriculture are likely to sell these.

• While distributing homestead plots the government should consider additional land that could be used as a kitchen garden or for some livelihood options, as is evident from such micro-plot successes.

• People’s institutions need to be built and the civil society needs to be strengthened to provide checks and balances.

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