

Political Economy of Land Policy in India

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Abstract

Land is a factor of production like labour and capital but it is non-renewable natural resource and fixed in supply. With economic development, it has growing and competing demands. Hence, its access and efficient use for both agricultural and non-agricultural purposes become critical. Land policy in India is historically governed by ideology and political interests. Agricultural land reform policies led to present agrarian structure characterized by marginalization of land holdings, emergence of non-cultivating owners and increasing current fallows. Policy on land acquisition for non-agricultural use is outdated and has emerged as a major contentious issue. An appropriate land policy and enabling legal and institutional framework is essential for achieving higher and sustainable economic development in India. This paper, therefore, examines political economy of land policy since independence and makes an attempt to bring out emerging issues and challenges pertaining to land policy for both agriculture and non-agricultural use from future economic development perspective.

Keywords: Agrarian Structure, Land Policy, Land Reforms

1. Introduction

Land is one of the factors of production along with labour and capital. It is the basic natural resource and crucial for not only for agricultural development but also for development of secondary and tertiary sectors. Unlike labour and capital, land is non-renewable fixed natural resource. The problem of land is, therefore, its growing scarcity in supply with rising population and economic development. Besides habitation for living beings, it has multiple uses and competing and growing demands for both agricultural and non-agricultural purposes. Access to land is required for improvement of livelihood, food security, poverty alleviation and industrial, infrastructural and urban development. Land is also an asset to provide access to credit market. Hence, appropriate land policy and legal and institutional framework are critical not only for providing access to land for economic development of all sectors, but also for

ensuring efficient and sustainable use, ecological balance and for conservation for future prosperity.

In classical economics, the producer of land was considered either as the sole or the principal source of the revenue and wealth of every country. It was believed that economic growth would take place till natural resources endowed in land become a constraint and once that happened; the economy would reach a stationary state. In neo-classical economics, land was, however, considered mainly as an agrarian issue. It had not received the required attention like capital and labour, though it was considered critical for industrialization and tertiary sector development. It was assumed that with the economic development, structural transformation would take place which would result in moving away surplus labour from agriculture resulting increase in the arable land-population ratio. The availability of the land for industrial and tertiary sector development would not a constraint.

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In India land reform policy was a major development issue during freedom movement. At the time of independence, agriculture was the dominant sector and land was concentrated in the hands of few with extremely skewed distribution. Abolition of exploitative feudalistic Zamindars and parasitic intermediaries was considered critical to provide land to the tiller and thereby ensure security of tenure and production incentives. Accordingly, land reform policy had become the primary plank of political economy and dominated agricultural policy during the first three five year plans. In subsequent years, with emphasis on increasing production under green revolution, land reform policy has not received much attention in the agricultural policy. The policy required for land acquisition for non-agricultural purposes was also completely ignored. It is only after liberalization and opening up of the economy, there was a renewed political interest in land policy particularly for non-agricultural purposes.

Land policies in India, unfortunately centered on political ideology, prejudices and political vested interests more than economic consideration. This paper examines political economy of land policy in India since independence. In section one, an attempt is made to highlight, on supply side by looking into the dynamics of land use pattern during the last six decades and the present status as a backdrop. Since immediately after independence, the land policies centered on agricultural land, the subsequent three sections focuses on critical analysis of agrarian structure inherited from British rule, land reform policies adopted after independence and their impact on agrarian structure and development process. Section five looks into policy initiatives taken on land acquisition for non-agricultural purposes and controversies surrounding these initiatives. In the final analysis, the paper highlights key issues and challenges pertaining to land in the future Indian economic development perspective.

2. Changing Pattern of Land Use

On supply side, it is essential to look into the total geographical area, changing dimensions in land

use pattern, present status and land availability for various uses from the Indian economic development perspective. The pattern of land use usually determined by several factors such as geographical physical profile, size of human and livestock population, natural forest, demand of food and other agricultural products, industrial growth, infrastructure development and urbanization and real estate needs. It has, thus, economic, social, political and livelihood implications. Land being a non-renewable natural resource, it has ecological dimensions and hence its efficient and sustainable use is essential.

Table 1 shows the land use pattern and its changing dimension in India during the last six decades.

The total geographical area of India is 328.73 million hectare (ha). The surveyed land available for utilization was 284.32 million ha in 1951, which now increased to 305.85 million ha. Hence, the land available for utilization now constitutes 93 percent of total geographical area. The balance area is not yet surveyed due to inaccessibility and may not be usable. India's total geographical area constitutes 3.2 percent of the world total geographical area but it India has 16 percent of the world population. The land-man ratio is, thus, one of the lowest in the world. The per capita land availability in India is only 0.32 ha as against the world average of 2.19 ha. Forest land, which was 40.48 million ha in 1951, increased to 70.01 million ha; an increase of 73 percent. At present, it accounts for 22.9 percent of the total reported area. The increase in the natural forest land may be mainly due to increase in reporting area. In spite of this increase, it is important to note that India has less than the prescribed one-third of the total area by the National Forest Policy Resolution of the Government of India for ecological balance. It is also important to note that area under tree crops and groves required for ecological balance also declined from 19.83 million ha to 3.20 million ha.

There was almost threefold increase in non-agricultural land use. The total area under non-agriculture use was 9.36 million ha in 1951 and now increased to 26.78 million ha. Its share in total area increased from 3.3 percent to 8.6 per-

Table 1. Changing land use pattern in India (Area in Mill. Hectare)

Category	1950-51		1991-92		2011-12	
	Area	Percent	Area	Percent	Area	Percent
Geographical Area	328.73		328.73		328.73	
Reporting area	284.32	100.0	304.93	100.0	305.85	100.0
Forest Land	40.48	14.2	67.66	22.2	70.01	22.9
Area under Non-agriculture	9.36	3.3	21.31	7.0	26.78	8.6
Barren and unculturable	38.16	13.4	19.49	6.4	17.20	5.6
Other uncultivated	49.45	17.4	30.16	9.9	26.25	8.6
Pasture and other grazing	6.68	2.3	11.34	3.7	10.31	3.4
Misc. Tree crops/groves	19.83	7.0	3.79	1.2	3.20	1.0
Culturable waste land	22.94	8.1	15.03	4.9	12.24	4.2
Fallow land	28.12	9.9	24.03	7.9	25.61	8.4
Net sown area	118.75	41.8	141.63	46.5	140.51	45.9
Gross cropped area	131.89		183.42		193.85	
Area sown more than once	13.14	4.6	41.14	13.5	53.34	17.4

Source: Directorate of Economics and Statistics, Ministry of Agriculture, Government of India

cent. It is expected to double in the next decade as a result of rapid urbanization, higher industrial and service sector growth and more infrastructure development. The significant increase in non-agricultural land use must have come from the significant decline in barren and unculturable and uncultivable lands. While the barren and unculturable land declined from 38.16 million ha in 1951 to 17.20 million ha in 2012, the uncultivable land declined from 49.45 million ha to 26.25 ha during this period.

As regards land used for agricultural purposes, the analysis of the data in the table shows that pasture and grazing land required for livestock development increased rapidly from 6.68 million ha in 1951 to 11.34 million ha in 1992 but thereafter steadily declined to 10.31 million ha. The land suitable for crop production includes besides net sown area, current fallow and culturable waste land. During 1951 and 1971, the net cropped area increased significantly from 118.75 million ha to 140.27 million ha. This increase in net cultivated area must have come from significant decline in culturable waste land and fallow lands. The expansion in the cultivated area, in fact, contributed mainly to increase in food production during the

first three Five Year Plans. With the launching of green revolution, emphasis, however, shifted towards increasing productivity as the scope for area expansion was found limited. During green revolution there was only marginal increase in net cultivated area from 140.27 million ha to 141.63 million ha. The growth in agricultural production during green revolution came from mainly increase in gross cropped area and increase in productivity.

After liberalization, there was a decline in net area cultivated to 140.51 million ha. There was also increase in current fallow land. The increase in current fallow land and decline in net cultivated area are of really matter of concern as they reflect abandoning of farming. It is, however, important to note that the net area cultivated in India constitutes 46 percent of the total land area, which is one of the highest in the world. Given that agricultural productivity is one of the lowest in the world, the solution for increasing agricultural production lies not in increasing area under cultivation, but in achieving higher productivity. Moreover, since the cropping intensity is only 1.37. There is a good scope for increasing gross cropped area by increasing irrigation facilities.

From the analysis of data on land use pattern in the table, it is clear that in India, there is no appropriate planning for efficient and sustainable optimum use of land during the last six decades. The consequences for ecological balance in reclamation of forest land, barren and unculturable land, swampy and groves land and pasture and grazing land for agricultural and non-agricultural purposes were apparently not looked into. In absence of structural transformation and increase in population in rural areas, the expected increase in per capita arable land has not taken place. Keeping in view the growing demand for land for non-agricultural purposes, need for ensuring food security and ecological balance and long term economic development perspective, the need for an appropriate land policy for both agricultural and non-agricultural purposes cannot be over emphasized.

3. Land System: Historical Context

Prior to British rule, under the traditional land system, land belonged to peasantry and village community and never constituted the property of the rulers. They received a certain proportion of the produce. "The soil in India belonged to the tribe or its sub-division- the community, the clan or the brotherhood settled in the village- and never was considered as the property of the king"⁸. The Code of Manu laid down one-sixth to one-twelfth of crop produce, though this might be raised in times of war to one-fourth. Mogul rulers raised it to one-third. With the disintegration of Mogul empire, the collectors of produce became semi-feudal chiefs and raised the level of tribute to as high as one-half.

When British established their empire, for the first time, they transformed the traditional land system into feudalistic land tenure system under permanent settlement in 1873. Under this system, the government became ultimate owner of land and peasants became occupancy tenants. Intermediaries were set up by the government for rent collection who gradually became Zamindars-landlords in perpetuity. This system was imposed in most parts of Northern India. In some parts of

Northern India, the village community or head was made responsible for collection of government revenue from farmers. This system was known as Mahalwari. The main objective of the land reform was the collection of government revenue from peasants through creating a new class of indigenous landlords, who could also serve as the social basis for the exercise of political power of British rule on peasants.

In southern part of the country, an alternative known as Ryotwari system was imposed. Under this system, though settlement was made with individual cultivators, concentration of land was with large farmers, the practice of cultivation by tenants was widely prevalent. In all systems, instead of the traditionally prevailing system of a proportion of the year's produce normally in kind, a system of fixed money payments assessed on land occupied irrespective of year's produce or whether land is used or not came into existence. Besides, a system of assessment, the registration of the ownership of land and thereby legal framework were also brought in to replace the community based traditional land system.

Thus, at the time of independence, three types of land tenure system prevailed throughout the country- Zamindari system covering 57 percent of the area, Mahalwari system covering 5 percent of the area and Ryotwari system covering 28 percent of the area. Zamindari system was prevalent at the time of Independence mainly in West Bengal, Orissa, Bihar and part of Uttar Pradesh, Punjab, Madhya Pradesh and Andhra Pradesh. While Mahalwari system was in existence in parts of Madhya Pradesh and Punjab, Ryotwari system was prevailing mainly in southern India and North Eastern Provinces. Thus, at the time of independence, India inherited an exploitative feudalistic land tenure system in most of the states.

During British rule, land required for non-agricultural use was mainly for public purposes such as government offices, establishment of education institutions, hospitals, Railways etc. British were not interested in economic development of the country. Moreover, since during the British rule, agriculture was the dominant sector of the economy and industrial and service sector were

not developed; demand for land for non-agricultural purposes was very limited. For the purpose of acquiring land for public purposes, British Land Acquisition Act was enacted in 1894. The Act had the provision of power of 'Eminent Domain' wherein the state was empowered to take over private land for public good. The Act gave priority to public interest over private interest and the sovereign can do anything for public interest.

3.1 Agricultural Land Reform Policies since Independence

At the time of independence, India mainly inherited feudalistic land tenure characterized by concentration of land in the hands of few with highly skewed distribution. The challenge before the policy makers at the time of independence was to abolish functionless intermediaries to ensure equitable distribution of land and security of tenure. The Constitution of India, laid down that the ownership and control of natural resources should be to serve the common good and should not be concentrated in the hands of few to the common detriment. Land to the tiller and equitable distribution of land was also the main political slogans during independence movement. The land reform in agriculture was, therefore, viewed as an instrument for enhancing capital formation in agriculture and production efficiency. Raj Krishna, eminent Agricultural Economist grouped land reform measures into four groups based on policy objectives: liberative, distributive, organizational and developmental¹¹.

With the above policy objectives in view, the following five major policy interventions were implemented during the first three Five Year Plans:

- Abolition of Zamindars/intermediaries.
- Tenancy reforms to provide security to tillers of land.
- Ceiling on landholdings for distribution of surplus land to marginal farmers and landless rural households.
- Consolidation of holdings through cooperative farming.
- Updating and modernizing land records.

Of these measures, the abolition of Zamindars and intermediaries was considered the successful reform process. About 70 million hectares of land was acquired from the intermediaries and about 20 million occupant tenants became owner cultivators. Though official documents claim complete abolition of zamindars, as a result of flaws and loopholes in the legislation and lack of political will, many changed garb and became large farmers. Daniel Thorner in his study had shown the existence of more than 500 hectare land owners, occupancy tenants and crop-sharers in Bihar during the post-reform period. In Punjab, there existed 1725 landlords owning more than 50 hectares and 1332 large farmers above 100 hectare in spite of abolition of Zamindars in the state¹⁶.

The advocacy of 'Land to tillers' has led to tenancy reforms. At the time of independence, more than 50 percent of agricultural land was under some forms of tenancy. There were three categories of tenants: Occupancy tenants, tenants-at-will and sub-tenants. While occupancy tenants had security of tenure as long as they pay rent on time, the tenants-at-will and sub-tenants were on the mercy of landowners and their exploitative terms. As per the Constitution of India, agricultural land is a state subject. Only States have the power to enact and implement land reform laws. The Central Government, therefore, issued the following broad guidelines to the state governments for formulating tenancy reform legislation:

- Security of tenancy to be conferred on the actual cultivators through registration.
- Fair rent to be fixed between one-fourth and one-fifth of produce.
- Land owner be permitted to resume part of land for personal cultivation, allowing prescribed minimum to tenants.
- Surrender of tenancy rights with mutual consent.
- Disabled persons, defence personnel others deserved, exemptions to be provided.
- Oral tenancy to be abolished.

Most states enacted tenancy reform legislations during 1960s and early 1970s. Tenancy reforms implemented by states, however, differed from

state to state. Some states like Karnataka completely banned tenancy and made tenants owners of land they tilled. Others particularly Punjab, Haryana and Andhra Pradesh have not prohibited tenancy but legalized tenancy by providing security of tenure and regulation of rent. Some states allowed land owners to resume part of the land for personal cultivation. There was thus no uniform land tenure policy in the country.

The impact of tenancy reform was unfortunately not well researched in spite of its importance. Tenancy reform in fact distorted the lease market in particular and land market in general. The ban on tenancy led to complete collapse of lease market in some states and resultant lack of access to land for marginal farmers and landless poor rural households. Another emerging issue is increasing land owning households who do not cultivate. Most of them are migrant urban households in non-farm jobs and get land ownership rights because of inheritance. Due to legal restrictions, non-cultivator owners of land wanted to lease-out land but could not do so. Marginal farmers and landless agricultural labourers badly needed lease-in land to improve their livelihood but could not do so.

Access to land is very important in rural India, where marginal farmers dominate farming community and incidence of poverty is highly correlated with lack of access to land. Besides providing access to marginal farmers to improve viability of farming and livelihood, lease market also provides opportunities for new comers to enter agriculture. This also led to emergence of concealed and reverse tenancy with exploitative terms⁹. Moreover, tenancy reforms only benefited existing tenants and not landless rural households who constitutes one-third of rural households. Wherever land owners allowed resuming for personal cultivation, as a result of loopholes in the tenancy legislation, eviction of tenants took place in large scale. Where tenancy legalized, the law provided for termination of tenancy in the case of failure to fulfil contract terms. This provision also led to eviction of tenants. Inheritance and sub-

division also led to emergence of non-cultivator owners of agricultural land who could not lease out their land resulting increase in fallow land.

As regards ceiling on ownership of land-holdings, due to ambiguity of the law, numerous exemptions provided in the legislations, retrospective transfers and lack of political will, the progress achieved was extremely disappointing. The surplus land declared was only marginal and of poor quality. Not much land was distributed among the landless poor. As per statistics available, the land declared surplus was found to be only 2 percent of the total land while the actual land distributed was only 1.0 percent of total land. In the same vein, the cooperative farming was an unqualified failure and never took off. Similarly, updating and modernizing of land records remained an unfinished agenda. Though at the time of independence, land records were in bad shape, it is only during Seventh Five Year Plan, a Centrally Sponsored Computerization of Land Records (CLR) was launched on pilot basis in selected few districts. The progress on extension of this scheme has been very slow. Quite recently, National Land Records Modernization Programme (NLRMP) was launched for updating land records and computerization. Since there are several departments responsible for various aspects of land administration at state level and resultant lack of coordination, there was no significant progress in the updating and modernizing of land records.

4. Impact on Agrarian structure

Agrarian structure inherited from British at the time of independence was feudalistic with concentration of land in the hands of few and exploitative tenure system. The policy objective of land reforms at the time of independence was to eliminate all forms of exploitation and transform the agrarian structure to make it more equitable¹. The abolition of parasitic Zamindars/intermediaries, tenancy reforms, ceilings on land holdings and consolida-

¹Acharya Vinobha Bave who launched Bhoodan Movement used to end all his prayer meetings saying "land belongs to Gopal and all his children have equal rights to its produce".

Table 2. Changing Agrarian structure in India (Percentage)

Category of farmers	1960-61		1970-71		1990-91		2005-06	
	No.	Area	No.	Area	No.	Area	No.	Area
Marginal farmers (0 – 1ha)	39.1	6.9	45.8	9.2	62.8	15.6	64.8	20.2
Small farmers (1 – 2ha)	22.6	12.3	22.4	14.8	17.8	18.7	18.5	20.9
Semi-Medium Farmers (2 – 4ha)	19.8	20.7	17.7	22.6	12.0	24.1	10.9	23.9
Medium farmers (4 – 10ha)	14.0	31.2	11.1	30.5	6.1	26.4	4.5	23.1
Large farmers (10 ha and above)	4.5	29.0	3.1	23.0	1.3	15.2	0.8	11.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Directorate of Economics and Statistics, Ministry of Agriculture, Government of India

tion, revolved around this transformation process. They failed to achieve such a transformation. In Table 2, an attempt is made to analyze the changes taken place in the agrarian structure during last five decades.

From the analysis of the data in the table, it is clear that though a significant change has taken place in the agrarian structure, the present agrarian structure still reflects concentration of land with few large farmers with skewed distribution of land holdings. The abolition of Zamindari system had thus only marginal impact in reduction in inequality in land distribution. The number of marginal farmers with less than one hectare increased from 19.8 million in 1961 to 83.7 million in 2006. Their share in the farming community increased from Together with small farmers below 2 hectare, they now constitute 85 percent of farming community. The total number of farm holdings increased from 50.67 million in 1961 to 129.22 million in 2006. The average size of holdings declined from 2.63 hectare to 1.06 hectare. With the economic development, the expected structural transformation has not taken place in agrarian structure. Instead of consolidation, sub-division and fragmentation took place. While there was significant decline in number of large farmers, the marginalization of land holdings and dominance of marginal below one hectare increased significantly. The flaws in tenancy and ceiling legislation have also not contributed to achieve the desired objectives. The abolition of tenancy led to complete collapse of lease market and resultant lack of access to land for marginal farmers, landless poor rural households and new comers.

Thus, most disquieting feature of the agrarian structure is, at present the increasing marginalization of agricultural holdings and absence of lease market which has serious implications for viability of agriculture and livelihood in rural areas as well as agricultural development. As pointed out by Prof. Dantwala, land reforms were enacted in the right direction with good intention but due to lack of implementation and political will, the actual results are far from satisfactory³. Importantly, in spite of this adverse impact of land reform on agrarian structure and agricultural development, the land reforms lost its importance in agricultural policy during the green revolution period and liberalization phase.

5. Land Policy for Non-Agricultural Use

The market for land for non-agricultural use remained largely untouched till 1991 reforms. The demand for land for non-agricultural use is growing rapidly with economic development. Land is required for industrial growth, infrastructure development, urbanization and real estate development. The land required for non-agricultural use, however, has to come mostly from farmers and tribes who have historically inherited it. For them, land is a basic asset for their livelihood, family identity and security. There also exist emotional, cultural, inheritance, and heritage bonding between them and land. Losing land means losing their livelihood, way of family living and family heritage. They are also unwilling to part with family land due to lack of alternative exist options

from agriculture. Acquisition of agricultural land for non-agricultural use also poses problems of compensation, rehabilitation and resettlement of displaced families. Land for non-agricultural use in India is thus a contested and politically a controversial issue.

During the planning era and till liberalization of the economy in 1991, the land acquisition for non-agricultural purposes was governed by British 1984 Act. Though the Act was amended after independence, the basic provisions remain unchanged. Premised on the doctrine of 'Eminent Domain', the Act empowered the state to acquire private land compulsorily for public purpose. Since the public sector played key role in economic development, the government was the major player in land acquisition for non-agricultural use immediately after independence. By using the Act, both central and state governments compulsorily acquired private lands for major irrigation dams, steel plants, infrastructure development, mines, special economic zones, industrial estates etc. With the help of government, the private sector also acquired land for setting up industries like TELCO etc. Since there were, then, no farmers' activist groups and no organized NGOs/civil societies to support farmers; land was acquired without much compensation and resettlement programme. What was demanded the sacrifice from affected families for public good¹². Nehru in 1948 said to the people affected by Hirakud dam, "If you are to suffer, you should suffer in the interest of the country" (Vora, 2009). The empirical data available shows that between 1951 and 2005, about 60 million people were forcefully evicted through land acquisition process and less than 18 percent displaced resettled in a planned manner. Other affected families became homeless, landless and jobless. Most of these are the asset-less rural poor, marginal farmers and tribal communities (Fernandes, 2008).

The economic liberalization in 1991 accelerated demand for land by both government and private sector for industrial growth, infrastructure development, urbanization, real estate etc. IT boom contributed to dramatic rise in demand for land for real estate. Policies for attracting FDIs also warranted enabling legal framework for acquisi-

tion of private land for non-agricultural purposes. The rapidly expanding demand for land has been, however, confronted with inelastic supply. The fundamental issues that arose are: how the private land that is needed for non-agricultural development purpose is to be obtained, how the owners of the land and those dependent on it for their livelihood are to be compensated, what about resettlement of affected families and how the nation's interest in preserving food security is to be protected? Against this background, the legal framework of 1984 Act for land acquisition was considered antiquated and dysfunctional

There was also, during this time, emergence of powerful farmers' organizations, activism on the part of NGOs and civil societies and proactive role of media¹². Right to fair and just compensation, resettlement of displaced farmers and employment for their livelihood became contested issues in land acquisition. Farmers resisted acquisition of their land. Violence erupted in the case of Tata Nano project in Nandigram and Singur in West Bengal Vedanta's mining project in Niyamgiri and the Orissa Steel project proposed by the Korean, firm POSCO, resulting ultimately abandoning of these projects. As demands for land acquisition led to the dispossession of farmers' land, protests also intensified in other parts of the country. All these led to an overwhelming chorus among business, private investors, politicians and mainstream press for appropriate land act to address the concerns of owners of land and demand for land by the private investors.

While land acquisition issue became politically acrimonious and contested issue, for achieving higher and rapid economic growth in India, it is a matter of an inevitable priority. Recognizing the need for a fair land acquisition law, the Government of India introduced in the Parliament Land Acquisition Amendment Bill in 2007 to replace 1894 Act. The Bill debated till 2011 and amended as Land Acquisition Rehabilitation and Resettlement (LARR) Act to bring the issue of rehabilitation and resettlement within the ambit of the Act to safeguard interest of farmers and tribal community. The LARR Act was passed in Parliament in September 2013 and came into effective in 2014.

As per the LARR Act, land could be acquired for public, Public-Private Partnership (PPP) and private purposes. Compulsory land acquisition is allowed for public purposes. For PPP and private purposes, with a view to take into account farmers' concerns, the land acquisition was subjected to consent clause and Social Impact Assessment (SIA). For PPP, the consent of 70 percent of affected farmers was required and for private companies, 80 percent required. SIA was to determine appropriateness of purpose. The Act also prohibited acquisition of irrigated and multi-cropped land. The acquisition of such land was only under exceptional circumstances not above 5 percent of the total area acquired. In such cases, equivalent land to be developed for agricultural purposes to enhance food security. Other clauses included *inter alia* compensation at six times the government assessed market value of the land, rehabilitation and resettlement of affected families and sharing of capital gains over the period of first 10 years with the affected families (GOI, 2013).

LARR Act 2013 was considered by the private sector exclusively pro-farmer, anti-business and anti-development. With consent and SIA clauses, land owners were in fact given effective veto power over land acquisition for PPP and private companies¹⁴. The procedures involved for land acquisition were complex and impractical. The land market being underdeveloped, the possibility of arriving at a fair market price is rather slim. The rationale behind Six times the market value as compensation has been questioned by many experts. The arbitrary valuation of market price of the acquired land by the district government officials and sharing of capital gains during first ten years may lead to unending litigations. Moreover, the Act has considered only compensation for the affected owners of land, while the tenants, landless agricultural labourers and artisans whose livelihood is affected in the area were completely ignored. The Act also mandated employment of one member of the family affected and not other employable members of the affected family.

In 2015, NDA government amended the LARR Act 2013 to remove some of the impediments for land acquisition and make land acquisition

development friendly. Under the LARR Bill 2015, the urgency clause for compulsory acquisition by government was widened to include originally included defence and natural calamities, social and rural infrastructure, affordable housing for poor, industrial corridor and special economic zones. In the case of PPP and private projects, the Act dropped the consent, public hearing and SIA clauses for five categories namely, national security, rural infrastructure including electrification, affordable housing and housing for poor, industrial corridors, and infrastructure. For all other acquisitions, SIA is made mandatory unless an emergency clause is invoked by the government. The compensation was prescribed four times instead of six times of government assessed market value in rural areas and two times in urban areas. The amended LARR Bill 2015 was passed by Loka Sabha, but stalled in Rajya Sabha. After promulgating ordinance three times and failed to make the Bill effective, the central government permitted the states to pass their own laws.

6. Key Issues in Land Policies

Since the supply of land is limited, land must be used most efficiently for whatever purpose it is allocated. For both agricultural and non-agricultural development, land matters and its access become critical. With economic development, demand for land becomes highly competitive. Unfortunately, land policy in India was governed by ideology and political vested interests. Land market is highly regulated. With banning of lease market, ceiling on land holdings, legal restriction on tribal land transaction, complicated anti-development land acquisition legislations, and unreliable, outdated and complicated procedure for obtaining land records and consequent high land transaction costs distorted the functioning of land market in India. The government, therefore, needs to establish conducive and enabling legal framework for land market to function efficiently for the benefit of development of all sectors of the economy.

In the agricultural sector, the land reform policies of 1950s and 1960s led to the present agrarian structure characterized by dominance of

marginal farmers, marginalization of holding size, inequitable distribution of land, emergence of concealed tenancies and non-cultivating owners and increasing current fallow land. The process of marginalization of holdings is fast increasing, resulting in economically unviable agriculture. The ceiling limits and restriction on land transactions and new entry hinder private investment and diversification in agriculture. In spite of planned economic development during last six decades, dependence on agriculture has not been reduced. Ultimate goal of agricultural land policy should be, therefore, to promote the emergence of a viable and diversified agriculture and modernized farming community. To facilitate to achieve this goal, flexible and competitive land market and also lease market is essential. This would also make possible for the entry of private investors in agriculture and emergence of efficient farmers as well as improve access to land for marginal farmers to become viable.

India has, in fact, no problem of land availability for both agricultural and non-agricultural use. India has, at present, one of the highest percent of arable land; about 46 percent of geographical area and the lowest agricultural productivity in the world. Even compared to China, India's agricultural productivity is less than one-third of what China achieved in most of the crops. The solution to agricultural development lies not in abolition of land market in agriculture and stopping diversion of agricultural land for non-agricultural use but in increasing higher land productivity and efficient use of agricultural land. By mere doubling of land productivity, India can sustain the present level of production by using merely half of the present net cultivated area. What is needed is increasing area under irrigation, revisit land reform policies particularly abolition of lease market, ceiling on land holding for taking advantage of economies of scale, attracting private investment in agriculture and enable farmers to undertake high-tech agriculture. NITI Aayog has already prepared Model Act for tenancy reform and circulated to States to enact them. Unfortunately, most of the states have not yet implemented the same.

Land acquisition for non-agricultural development is arguably a major issue in India's political

economy. Unfortunately, due to political vested interests, the country could not evolve an appropriate enabling policy and legal framework for land acquisition and hence, it remained an unfinished agenda. There are two key issues which need to be addressed in the matter of land acquisition. First is the compulsory land acquisition by government for socially necessary public purposes like defence, highways, railroads and other social and rural infrastructure, affordable housing for poor, industrial corridor and special economic zones. Justifiably, it requires direct government intervention and a transparent and workable land acquisition policy. It should specifically define the public purpose for which land can be acquired by the government compulsorily, compensation package based on market value of the land and transparent land acquisition procedure. Wherever land acquisition requires on a massive scale, concerns of affected farmers particularly on rehabilitation and resettlement should be taken into consideration.

As regards the issue of private land acquisition, the question will arise why the Government should involve in acquiring land for private investors and can they not directly negotiate with the farmers in the open land market? It is erroneously argued that farmers simply do not want to sell their land as they have emotional binding with the land. Hence no acquisition for private purpose possible unless the government is involved in the process. The exclusion of government from land acquisition for private projects would result in the exploitation of land owners by private investors. Tata Nano project in Singur in West Bengal has evidently shown the political cost of acquiring farmers' land by the government for private corporations. Many research studies have found that farmers are willing to sell their land if the compensation package is acceptable. Private investors are, in fact in better position to make the deal more attractive to the sellers.

In states such as Gujarat, Punjab, Haryana, Tamil Nadu and Karnataka, land acquisition for numerous projects has been accomplished smoothly through direct negotiation between private investors and affected land owners⁶. As per

the National Sample survey 2005, forty percent of farmers do not want to engage in farming in 2005 and this percentage may be now more considering the present agrarian distress. It is also argued that small farmers do not know the value of their land or laws governing their rights leaving them vulnerable and at the receiving end. This perception is not true at present context. Farmers are changing and well aware of land market. NGOs are also proactive on behalf of farmers. The government involvement if at all required, it should be only to resolve any hold-out problems. As regards information asymmetric, the problems can be resolved through publication of market prices at the place of registration. The liberalization of land sale market by doing away with all the restrictions put on changes in land use from agriculture to non-agricultural use would facilitate private investors directly negotiate with land owners for purchase of agricultural land

Another worrisome area is poor governance in land administration. In spite of NLRMP, land records are still extremely in bad shape, unreliable and outdated. The land transaction process is complicated and costly. The land administration is also highly corrupt. Well defined and secure land rights are important to provide incentives for investment and facilitate low cost transfers of land as well as to land market to function efficiently. This requires legal and institutional framework for updating land records from time to time through computerization, participatory adjudication, and appropriate mechanism for conflict resolution, low cost land transactions and decentralization of land administration to bring services closer to customers.

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