

# Addressing Informality in Land Leasing Practices in Akola, Maharashtra

*The Need for Policy Reform*

## Executive Summary

This policy brief presents findings from a study on the informality of land leasing practices in Maharashtra, India, and its implications for farmers and landlords. The study reveals that informality restricts market size, limits access to formal services, and hinders credit availability. The brief recommends the approval and implementation of the Model Agricultural Land Leasing Bill, 2016, to promote formal land leasing, protect the rights of landowners and tenants, and promote efficient utilisation of agricultural resources



## Introduction

Agriculture is a critical sector in India's economy, employing 50% of the workforce but contributing only 18% of the GDP. In Maharashtra, a state with a significant agricultural population, informal land leasing practices have led to a range of challenges, including limited income opportunities for farmers, a lack of modernization, and significant barriers to selling or leasing land. The Agri census data, which looks at formal leasing, suggests only 0.01% of farmers lease their land. The Survey data, based on household surveys, show that 5.90% of farmers lease their land. This 590x gap is the leases happening informally.

The Maharashtra Tenancy and Agricultural Lands Act play a pivotal role in governing land leasing practices in the state of Maharashtra, India. However, the existing legal framework has unintentionally created an environment where formal leasing is undesirable. In Maharashtra, formal land leasing has become unappealing due to a provision in the law that grants tenants the right to purchase the land at a government-set rate if the lease duration exceeds one year. Although there is no explicit ban on tenancy, this provision places landowners at risk of losing their land to tenants if formal leases are established. Consequently, many landowners prefer to keep their lands fallow rather than lease them out, fearing the potential loss of their land rights.

Both landlords and tenants suffer from the absence of formal arrangements that could foster trust, stability, and investment. Landowners miss out on potential rental income and productive use of their land, while tenants are denied the opportunity to make meaningful improvements that could enhance agricultural productivity or access credit and insurance schemes.

This policy brief offers recommendations for policy reform.

## Methodology

Our research was conducted in Akola District, Maharashtra, and involved interviews with 30 individuals, 9 landlords and 21 tenants. The semi-structured interviews explored a wide range of themes relevant to our study, including motivations behind leasing arrangements, the duration of leases, the nature of these agreements, and the respondents' awareness of land-related laws. The data was meticulously coded and analysed to extract meaningful findings.

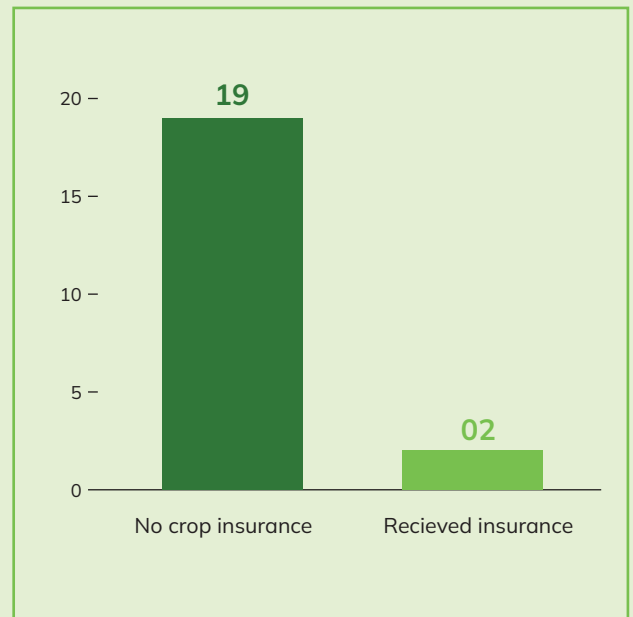


# Findings

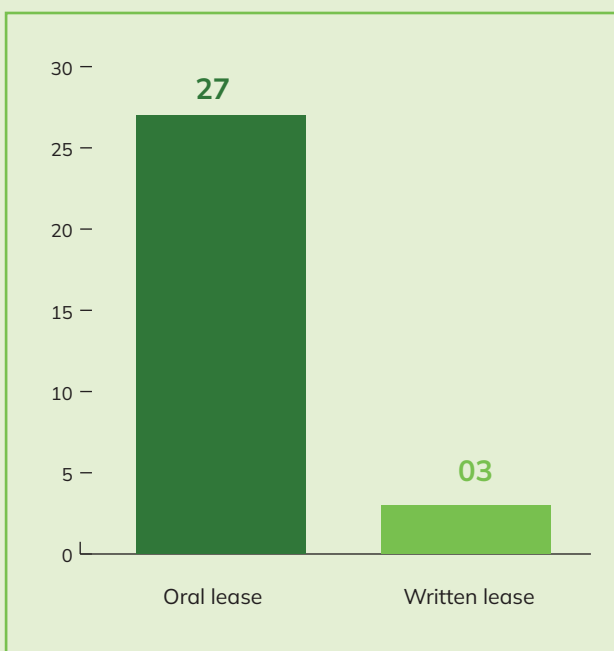
## 1 Most tenants (90.4%) own some land



## 3 Majority of tenants (90.4%) reported receiving no crop insurance.



## 2 Most agreements (90%) are oral.



## 4 Tenants struggle to obtain formal credit and turn to moneylenders who charge high interest rates.



## 5 Informality in land leasing restricts the market size for both tenants and landlords, posing challenges for market dynamics.



# Policy Recommendations

- 1. Approval and Implementation of the Model Agricultural Land Leasing Bill, 2016:** This bill seeks to permit and facilitate leasing of agricultural land to improve access to land by the landless and marginal farmers. It aims to protect the interest of farmers by enabling farmers and farming groups to lease their land for cultivation through a legal document, without fear of losing their land rights.
- 2. Increase Awareness of Land Leasing Laws:** Implement educational programs to increase farmers' awareness of land leasing laws and their rights and responsibilities under these laws.
- 3. Improve Access to Credit and Insurance:** Implement initiatives to improve tenants' access to affordable credit and insurance schemes, such as government-backed loans or crop insurance programs.
- 4. Promote Formal Leasing Agreements:** Encourage the use of formal leasing agreements to provide security and stability for both landowners and tenants, and to facilitate access to credit and insurance.

## Conclusion

The approval and implementation of the Model Agricultural Land Leasing Bill, 2016, would be a transformative development for the agricultural sector in Maharashtra and India more broadly. It would establish a robust legal framework that encourages formal land leasing, protects the rights of landowners and tenants, and promotes efficient utilisation of agricultural resources. By removing the barriers that compel informality, the bill paves the way for a more transparent, secure, and productive land leasing system.



## Next Steps

1. While the Government of Maharashtra has passed a bill to address informality, this bill is stuck in the Union Government pending approval. Since the bill is based on the Union Government's Model Act, the Union Government should prioritise approval.
2. While waiting for approval from the Union Government, the Government of Maharashtra could pass an ordinance liberalising the leasing laws in the state.

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