

Working Paper No. 135  
July, 2014

**Liberalizing Lease Market**  
**The Andhra Pradesh Land Licensed Cultivators Act**

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# Liberalizing Lease Market

## The Andhra Pradesh Land Licensed Cultivators Act

E Revathi\*

### I. Context of the Study

India has the largest number of rural poor and largest number of landless signifying togetherness of landlessness and poverty. The effort of the state had been focused on redistributive land reform since Independence. But the land reform laws 'abolition of intermediaries, tenure security and land ceiling' have not had the desired effect from the perspective of rural poor. The access to land by poorer population is still limited. Land reform legislation being state subject Indian states employed several land reform laws to effect redistribution of land. All states passed the tenancy Acts in the decades of 1960s and 1970s aimed at giving greater tenure security and restricting prospective tenancies. Tenancy legislation across states in India is varied, on one end there is formalized tenancy in West Bengal and on the other end Kerala has a prohibited tenancy statutorily closing landlord-tenant organization of production. However, the results of tenure reform laws were weak and also counterproductive (Hanstad et al 2008). The laws allowed tenants to acquire ownership rights to about 8 percent of all rural households and about 4 percent of India's agricultural land. It also has witnessed ejecting of much larger number of tenants (Appu 1997). According to the GoI report by the end of 2006, 12.5 million tenants on 16.7 million acres of land had benefited either by having ownership rights or by having their rights protected (GoI, MoRD, Annual Report, 2006-07). Benefit of tenancy reforms was realized in the years immediately following implementation of reforms, but the positive impact declined over a period of time (World Bank 2007).

Tenancy has been on the rise in the post economic liberalization period from the decades of 1990s. It was also viewed that freeing the lease market for land may contribute to equity as well as efficiency by bringing into open the lease transactions. A strong case

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Author thanks Rural Development Institute, Hyderabad for supporting the Licensed Cultivator study in Andhra Pradesh. Thanks are due to the referee from RDI Seattle, Prof S Galab and Prof D Narsimha Reddy for comments and suggestions on earlier drafts.

for legalization of land leasing has been made in order to improve the rural poor's access to land through leasing and also for their upward occupational mobility. It is argued that removal of restrictions on land leasing will result in better utilization of land and labour as fears of losing land by leasing out stand to be addressed. If land security for the owner and tenurial security for the tenant is provided for there would be enhanced interest in cultivation. Accompanied with a ceiling on operational holding size legalization of land lease would result in better utilization of land by reducing fallow land and also check concentration of land.

### 1.1 Tenancy Legislation in Andhra Pradesh

Andhra Pradesh state was formed in 1956 by merging Telugu speaking areas of erstwhile Hyderabad state with Andhra state. The two regions had separate land legislation owing to their differential administrative histories, which were combined and carried forward. As in the rest of the country, the reforms in the state can also be broadly classified into the abolition of intermediaries, tenancy reforms, ceilings legislation and other government initiatives in land distribution and market purchase of private land for distribution.

With respect to tenancy legislation, the *Hyderabad Tenancy and Agricultural Lands Act* was enacted in 1950 in the Telangana area. It resulted in the conferment of protection to nearly 6 lakh tenants who held over 75 lakh acres of land, constituting 33 per cent of the total cultivated area. This was considered to be one of the more progressive pieces of legislation in the state. The AP (*Andhra Area*) *Tenancy Act 1956* was enacted to ensure that tenant was not evicted from her/his holding except by law. The result of this legislation is mixed, often driving the tenancy underground. The 1950 AP (Telangana Area) Tenancy Act permits lease to a limited extent by minor, single women and armed forces. This act also provides that every lease should be in writing and the landlord is required to file a copy of lease with Tehsildar. But there is also no provision for recording of tenants' name in the record of rights (RoR). The minimum lease period is 5 years and resumption for personal cultivation is permitted with restrictions. Protected tenancy is inheritable. If tenant cultivates piece of land continuously for 6 years he is deemed to be 'Protected tenant' and by virtue of the status he reserves the right to purchase the land from the land owner. There is also restriction on rent payable which is 3 to 5 times land revenue or 1/5th to 1/4th of gross produce. The lease should be 33 percent in case of irrigated land and 24 percent in case of rain fed cultivation.

In the Andhra area the law permits tenancy but they must meet strict requirements regarding duration, rates, and renewal that grant substantial rights to qualifying tenants. Though tenancy is legally not prohibited in Andhra area according to the 1956 Andhra area Tenancy Act (amended in 1974 and came into force from July 1980) most of the

tenancy is oral. Sections 4 and 10 of the 1956 Act provides that tenancy would continue subject to the landlords' right to resumption up to two-third of the ceiling area and the tenant is left with no less than one half of the area operated by him prior to resumption. The law does not provide for conferment of ownership right to tenants except by exercising right to purchase in case the landlord intends to sell it. However section 10(1) of the Act further provides that every lease has to be in writing and shall be in perpetuity and the minimum period of lease is 6 years. The rent payable is 25 to 30 percent of gross produce. As noted by the Land committee the Tenancy Acts are not governing the tenancy in the state and on contrary the provisions of the Act have given rise to informal tenancy.

### 1.2 Trends in Tenancy

Impact of the tenancy laws was high in the decade of seventies, hence forth the share of tenant holdings in all operated holdings have been falling. Moreover increased profitability of agriculture due to HYV technology has caused decline in magnitude of tenancy during the eighties (Table 1). The number of tenant holdings fell more than area under tenancy. The size distribution of leased in area shows rise in semi-medium and medium holdings (NSSO Reports 407 and 492). Subsequently the structure of land ownership also changed from medium- big holdings towards small holdings due to demographic pressure and other factors. Since the beginning of the decade of 1990s the magnitude of tenancy swelled due to reasons like relaxed tenancy laws, migration of landed class to urban areas for education and employment and hence landless or land poor emerging as tenants in the state (Subramanyam 2000). Micro studies have shown that extent of tenancy has increased during 1991 to 2001. Both proportion of tenants and area under tenancy has increased by 2001 over 1991 (Murthy 2005). Tenancy is more prevalent in coastal Andhra compared to other regions of Andhra Pradesh (Murthy 2005; CSA 2008).

Table 1: Percentage of tenant holdings and share of leased in area in AP

Year	Share of tenant holdings	Share of leased in area
1970-71	21.7	9.0
1981-82	13.8	6.2
1991-92	14.1	9.6
2002-03	12.9	9.0

Source: 37th, 48th and 59th rounds, NSSO

Coastal districts of East Godavari, West Godavari, Krishna, and Kurnool in Rayalaseema and Nizamabad in Telangana have higher percentage of land operated under tenancy. Land Committee Report also brought out that 55-60 percent of lands surveyed in five

randomly selected villages in five coastal districts of the state are under lease and 100 percent of tenancy is informal because of stringent rules (Land Committee Report 2006). A study in 2003-04 across four districts West Godavari, Srikakulam, Karimnagar and Mahbubnagar shows that villages in West Godavari have high extent of tenancy and mostly the land owners are not resident in the village (Vijay and Srinivasulu 2013). In agriculturally advanced regions all classes of households participate in lease market and more recently small and marginal farmers started to lease out due to increase in cost of production, falling returns. Tenant farmers are not recorded as actual cultivators despite the fact that the Land Revenue Act of 1999 stipulates names of tenants should be recorded in the Revenue records.

### **1.3 Debate on Liberalization of Tenancy Laws**

As tenants constitute the weaker party in the landlord-tenant organization of production initial reforms were taken up from the stand point of tenant in terms of tenurial security or fixation of rent. Such protective tenancy laws from tenant perspective and restricted tenancy laws from perspective of land lords have resulted in rise in informal tenancy in recent times. Form of tenancy has shifted from share cropping to fixed rent and fixed produce, short term leases have increased, and rents are higher than fixed under the law. Due to informal nature of tenancy tenants are at disadvantage as they are ineligible to access institutional credit and other benefits provided by government. Several studies suggested measures towards selective liberalization of tenancy laws like registration of informal tenants, minimum period of lease, protection against eviction at will, prescribing rental share that would augment operational holdings, provide access to credit and inputs and accelerate technical change (Parthasarathy 1991; Subramaniam 2000; Desai and Namboodri 1997). Selective liberalization of tenancy market by legalizing tenancy farming among existing tenants could have positive effect on investment credit to agriculture (Desai 2006).

World Bank's approach too supported liberalization of tenancy law as tenancy restrictions limit the supply and demand for agricultural land and prevent access to land by the landless and most efficient producers (World Bank, 2007). Though liberalization of lease market seems to be a better option also in line with market friendly land reforms promoted by the World Bank but adequate safeguards need to be provided to protect lessees belonging to lower socio-economic categories<sup>1</sup> (Sharma 2006).

Government policy also shifted towards liberalizing tenancy law largely in view of enhancing private investments in agriculture. Tenth FYP recognized that the 'ban on

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<sup>1</sup> Safeguards are with regard to tenure of lease contract, resumption of land for self cultivation, conferring ownership rights where lessees are small and marginal farmers.

tenancy, which meant to protect tenants, has only ended up hurting the economic interests of the tenants as they are not even recognized as tenants. As a result, they are denied the benefits of laws that provide security of tenure and regulate rent'. The Eleventh Five Year Plan pronounced that tenancy should be legalized in a limited manner. Security of tenure for the contractual period, longer tenure agreements to encourage long term investments by the tenant, protecting rights to land of the land owner to incentivize him to lease out and not keep land fallow, bands of rentals in place of prescribed rentals, are some of the issues to be focused while legalizing tenancy (Eleventh Five Year Plan). However there could be flexibility in deciding the terms owing to the differential agrarian conditions across states. This could result in encouraging all categories of rural households to participate in lease market, tenants getting access to institutional support in the form of credit, insurance, and other inputs. The Twelfth FYP also mentioned of recording small and marginal tenants facilitating them to access credit without jeopardizing the property rights of the land owners. The Draft National Land Reforms Policy of the Ministry of Rural Development issued in July 2013 also recommends, restrictions on land leasing within ceiling limits to be removed, legal safeguards in the lease contracts protecting small and marginal farmers, clear recording of all leases, and to include share cropping. It also recommends the clause of 'adverse possession' (it is a legal rule that enables the occupier of a piece of land to obtain ownership if they can prove uninterrupted and exclusive possession of the land for at least 15 years) to be removed as it acts as a disincentive to landholders to lease out land, improve rural poor's accessibility to land through leasing, discourage land being kept fallow and increase much needed occupational mobility of rural people. Automatic suo-motu resumption of land on expiry of lease period, rent to be left to market, and all tenants, sub tenants including share croppers should be recognized by law and assisted with institutional support especially finance and other Rural Development schemes to overcome poverty and indebtedness are some suggested measures (Draft Policy 2013). A discernable shift in the policy could be observed towards liberal tenancy laws.

The state of Andhra Pradesh witnessed serious agrarian crisis beginning from the mid of decade of nineties. Farmers' suicides occurred in unprecedented numbers mostly confined to dry land regions and uplands of coastal region. Tenants constituted a large number of farmers' suicides. Number of committees has been appointed to look into the amelioration of agrarian crisis. Commission for Farmers' Welfare in 2005 has recommended that tenants be recorded and given passbooks to access institutional support. In 2006 the Land Committee was appointed to look into the land issues, assess the overall implementation of land distribution programmes of the government. This committee identified tenancy as an important issue and suggested measures for the protection of tenants without jeopardizing the ownership rights of land owners.

The Committee recommended that a *Loan Eligibility Card' (LEC) be issued to the tenants to enable them to access institutional loans so as to garner better gains from cultivation of lands and the landlords on the other hand are not paranoid about losing their lands if the tenancy is recorded* (Land Committee Report 2006).

Based on the recommendations of the Land Committee the Government of AP has made an ordinance firstly in June 2011 and later made an enactment titled '*The Andhra Pradesh Licensed Cultivators Act*' in December 2011, to provide loan and other benefits Eligibility Card to the farmers, without effecting the rights of the owners, enabling them to access credit from the public financial institutions and other benefits like input subsidy, crop insurance, compensation for damage to crops. A tenant who holds an LEC is a 'Licensed Cultivator' as the card established the tenants' right to access these benefits. The present reform in tenancy act is a two piece legislation where tenant is registered but tenancy legislation is not touched.

#### **1.4 Research Questions**

The research questions addressed by the present paper even as LEC Act is in context are broadly

1. What are the apprehensions of land owners about the Act?
2. How are variations in performance of the Act (in terms irrigated/ unirrigated; farm/ non-farm employment and tribal/ non-tribal contexts) explained?
3. What are the support systems for tenants enunciated under the Act in terms of tenure security, formal credit and insurance against risk and how far have they been realized by the tenant farmers?

#### **Objective of the Study**

The specific objectives of the study are

1. To examine the ambiguity in the Act and whether these are constraining the implementation of the Act
2. To assess the macro dimensions of the programme across the state
3. To explain the variations in implementation of Act across different socio-economic and agro-climatic situations and whether such variations are constraining the implementation of the Act

#### **1.5 Methodology**

The present study is empirical and issue based. It attempts to examine lease market intervention in the light of ongoing transformation in the lease market. The impact of

any such intervention is contingent on lease market conditions. Factors determining lease market under varied agro ecological conditions has been examined from both supply and demand side (per capita availability of land, irrigation, credit market, labour market, forms of tenancy, irrigation, cropping pattern, market intensiveness of agriculture) with the help of macro data collected from the selected villages on agricultural situation. Further lease market intervention has been examined taking the supply side factors like processes of implementation like identification of tenants, issue of cards, issuing bank loans and so on. Convergence between institutions/ departments like the revenue, agricultural, credit (banks), extension, and marketing would lead to better outcomes. The institutions in place to facilitate implementation process linking to outcomes in terms of issuing of loan eligibility cards and the benefits from it have been examined. In order to understand the dynamics of lease market different agro-ecological situations have been selected. The lease market intervention has been examined in terms of implementation process and the outcomes under these different conditions.

The apprehensions of the land owners regarding the Act have been captured through focused group discussions (FGDs) and the implementation of the Act has been captured through a census of the tenant farmers. The provisions and limitations in the Act, implementation constraints at the cutting edge level were elicited through a workshop conducted with all stakeholders in the programme.

#### **1.6 Selection of Districts/ Mandals/ Villages**

Districts have been chosen one in each of the five agro climatic zone based on two parameters, one the percentage of tenants applied for the LC status and two, percentage of LECs issued by the Revenue department<sup>2</sup>. Districts ranking high in both these variables have been chosen so that the potential of the intervention could be captured. However in south coastal region West Godavari was ranked high but due to problem in availability of list of LEC holders, East Godavari has been selected. Mandals within districts have been selected based on factors like location (distance to district headquarters); tribal/ non-tribal; assured irrigation wherever suitable which largely accounts for incidence of tenancy. Minimum of two villages have been selected from each mandal. Highest number of LECs issued has been the criterion of choice for all categories of sample units (mandals and villages). This stratified method of selection of sample units ensures to capture the variations in the implementation of the Act (Table 2).

Data on number of tenants, applicants for LC and number of LEC issued has been obtained from Chief Commissioner for Land Administration (CCLA) office at the

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<sup>2</sup> Both these variables are weakly correlated (coefficient is 0.23) hence both are taken for selection of the district.

state level for the districts and Collectorates at the district level for the mandals and the Mandal Revenue Office at the mandal level for the villages.

The study covered all the tenants in the selected villages. Tenants were identified with the help of the lists (applicants for LC and tenants issued LECs) procured from the revenue department. Besides, we have also listed tenants who have not applied (as they do not appear on the list of revenue department) for LECs by consulting the VRO. This ensures to enlist all the tenants in the village. A Listing schedule has been administered to all these tenant households consisting of socio-economic details, tenancy details and details whether obtained bank loan and other benefits and if not the reasons for not obtaining the same. This methodology has enabled to arrive at proportions of tenants issued LECs and licensed cultivators received bank loans and other benefits from the government.

Both survey and non-survey methods have been used for collecting data. Details of tenants have been collected through Listing schedule and those of village through the Village schedule<sup>3</sup>. The households listed have been categorized into tenant households who received/ not received LC status; LCs who have received/not received bank loan and other benefits; so that detailed Focused Group Discussions (a non-survey instrument) were held with such groups to gather relevant information on lease market conditions, organizing agriculture, apprehensions of land owners about the Licensed Cultivator Act. In all 3702 tenants were listed and 51 group discussions were held for the study. The number of land owners or leased out farmers are 3968 while those leased in are 3702 indicating tenants have leased in from more than one owner.

## **II. Lease Market Interventions in Andhra Pradesh**

### **2.1 The Land Licensed Cultivators Act-2011**

As an attempt to implement reforms in tenancy laws the state of AP has passed the Andhra Pradesh Land Licensed Cultivators Act in December 2011 with effect from 7th June 2011. The Act provides Loan and Other Eligibility Card (LEC) to the farmers, who raise crops with express or implied permission of owner or pattadar of land, but have no record of enjoyment without effecting the rights of owners, enabling them to access credit from the public financial institutions and to claim benefits of input, subsidy, crop insurance, compensation for damage to crop and for matters connected therewith and incidental thereto (Act No 18 of 2011, AP Gazette Part IV-B, December 23 2011).

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<sup>3</sup> The village level data has been collected through the Village Revenue Officers (VRO) and Assistant Statistical officer (ASO)

Table 2. Selected Districts, Mandals, Villages

Agro climatic zones	Districts	Revenue Division	Mandals	Villages	Number of LEC issued*	Tenants Acc to listing**
North Telangana	Warangal	Warangal	Chinyal	Nwabpet	171	194
				Garmillapally	151	212
				Chitukodu	100	283
South Telangana	Nalgonda	Nalgonda	Munugode	Mannegudem	94	161
				Velamakanya	102	143
				Munugode	68	94
				Kalluru	219	239
North coastal	Visakhapatnam	Visakhapatnam	Anakapally	Palkaveedu	243	291
				Bowluvada	-	107
				Marturu	172	212
				Sukuru	81	60
				Konthili	-	41
				Muliyapuru	-	39
				Thatiparthi	174	262
South coastal	East Godavari	Kakinada	Gollaprolu	AK Mallavaram	136	434
				Sarabhavaram	76	76
				Vatangi	31	37
				Remata	241	246
				P Rudravaram	205	205
				Kumbalur	124	186
				72	83	
				Badinehal	130	102
				22	2590	3702
				All	5	10

Source: \* Mandal Revenue Office, \*\* Listing data, Primary Survey

The definition of Licensed Cultivator (LC) of land includes farmers who cultivate land of others with or implied permission, either on payment of rent or any other means of consideration without exclusive possession, for one year or until the duration of crop whichever is later and whose names are not recorded in any of the revenue registers concerned to that particular land; provided the licensed cultivator shall not be a member of the family of the owner or pattadar of the land concerned. Further on and from the date of commencement of the Act, every LC (tenant) who requires Loan and other Benefits Eligibility Card shall be entitled to enter his name in the Register of Loan and other Benefits in respect to concerned land, maintained for such period and in such manner as may be prescribed. On such entry every LC shall be entitled for a Loan and Other Benefits Eligibility Card to be issued by the Revenue Officer. The Eligibility card shall create only a right on the crop raised therein and no rights whatsoever shall accrue on the land. The Licensed Cultivator may be entitled to secure crop loan from any public financial institution, crop insurance, input subsidy in his name and other claims of damage to the crop raised over the said land on the production of the eligibility card without conferring any right of possession, tenancy or interest whatsoever nature over the land under the licensed cultivation. The LCs whose names are entered in the said record, are entitled to possess an Eligibility Card ordinarily for one year only but may be for further period depending on duration of the crop raised together with explicit or implicit permission of owner of land. The Public Financial Institutions may sanction crop loan only on production of LEC without insisting the production of any revenue record.

## **2.2 The Licensed Cultivator System**

The Act specifies the procedure for issue of the LECs as follows: the Village Revenue Officer (VRO) publicly informs about application for LECs, makes applications forms available with him/Gramasamaikhya (Women's SHG), receives application forms, informs the date of Gram Sabha, assists the Tehsildar in conducting the Gram Sabha, preparation of list of LEC, issues LECs in the village and also assists the LEC holders to access institutional credit. The Gramsabha will be conducted by the Tehsildar along with deputy Tehsildar, Mandal Revenue Inspector and VRO. The Tehsildar/ Deputy Tehsildar is the designated Revenue Officer who after preliminary enquiry will conduct the enquiry in the Gram sabha. He may also receive authentication for the claims made by tenants or any appeals from land owners in case claims are false. The designated officer makes inquiry into these claims and endorses on each application and the names will be recorded in Form II of the Licensed Cultivators Declaration Register. All the eligible tenants will be issued the LECs through the Gramsabha. The Revenue officer sends the list of the LCs to all financial institutions in the mandal and also to the Mandal Agricultural Officer (MAO). Any person aggrieved by the decision of the Revenue Officer, in matters concerned with the eligibility card may appeal to Tehsildar

of the revenue Mandal in the prescribed manner and the appellate authority shall dispose of the appeal after enquiry in fifteen days and its decision shall be final. The Chief Commissioner for Land Administration (CCLA) is the nodal Agency for the implementation of the Act. The entire revenue machinery including Collectors, Joint collectors, Additional Joint Collectors, District Revenue Officers, Special Deputy Collectors (Koneru Ranga Rao Committee), RDOs and Tehsildars are involved in supervising the smooth implementation of the provisions of the Act by guiding the designated revenue officers where necessary.

## **2.3 Licensed Cultivators in Andhra Pradesh**

### **2.3.1 Macro picture**

The revenue department has come up with estimates of tenant farmers for the first time in the state to implement the Licensed cultivator Act. It is estimated that there are 2.5 million tenant households operating 20 percent of the total 12.0 million holdings in the state (GoAP 2012). But according to the data by the Revenue department in 2011 there are 1747901 tenant farmers of which 39 percent have applied and 76 percent have been issued LECs against those applied. On an overall basis 29 percent tenant farmers have received loan eligibility cards in the year 2011-12 (Table 3). For the year 2012-13 .39 million LECs have been issued which is lesser by 21 percent than those issued in 2011-12. Of these 60 percent are renewal of cards issued in 2011-12 and 40 percent are fresh cards. Only 17 percent LEC holders have been given loans by the banks to the extent of 1330 million rupees. The physical target fixed by Chief Commissioner for Land Administration (CCLA), the nodal agency for implementation of the Act, for the year 2012-13 is to issue 1.25 million cards and financial target is to disburse 20000 million rupees. For the year 2013-14 the number of LEC issued are 439394 of which freshly issued cards constitute only a small number.

For the year examined, (2011-12) at the disaggregated level the proportion of licensed cultivators to those applied ranged from 3 in Srikukulum district to 100 in Anantapur. The districts with 50 percent or more licensed cultivators include Rangareddy (85 percent), Warangal (84 percent), Nalgonda (68 percent), Khammam 958 percent), Visakhapatnam (57 percent) and Kurnool (50 percent). In all other districts, it was less than 50 percent including 8 percent in Medak, 12 percent in Nizamabad, 15 percent in Chittoor, 16 percent in Prakasham, 19 percent in Nellore and Guntur and 20 percent in East Godavari. In several districts including East Godavari, West Godavari, Guntur, Mahbubnagar, Medak, Nellore, Prakasham, Khammam, Karimnagar, Kadapa, Nizamabad and Adilabad, the percentage of LECs issued against applications was less than the state average of 76 percent.

**Table 3. Number of tenants and distribution of Loan Eligibility Cards according to districts in Andhra Pradesh (2011-12)**

No	District	Tenant Farmers	Applied for LEC(%)	Issued LEC ( % to applied)	Licensed cultivators as % to tenant farmers
1	East Godavari	250000	28	71	20
2	West Godavari	200000	58	73	43
3	Guntur	175000	29	65	19
4	Krishna	120000	45	93	42
5	Chittoor	100000	19	78	15
6	Kurnool	100000	61	81	50
7	Mahabubnagar	100000	34	64	22
8	Medak	80,000	13	61	8
9	Nellore	80,000	27	71	19
10	Prakasam	75,000	32	50	16
11	Vizianagaram	68,000	36	92	33
12	Khammam	52,460	83	70	58
13	Nalgonda	50,000	80	85	68
14	Karimnagar	40,000	58	68	40
15	Warangal	32,486	89	94	84
16	Kadapa	30,000	39	67	26
17	Nizamabad	25,000	22	54	12
18	Vishakapatnam	20,000	70	81	57
19	Ranga Reddy	6,920	85	100	85
20	Anantapur	5,035	100	100	100
21	Srikakulam	125,000	4	96	3
22	Adilabad	13,000	74	66	49
TOTAL		1747901	38.92	76	29

*Source:* Revenue Department, GoAP

## 2.4 Empirical Study

### 2.4.1 Lease Market in the Study Areas

The village level data shows that at aggregate level (22 villages in 10 mandals in 5 districts) 67.8 percent households own land. Nearly 23 percent households are leasing in land while lessor households are higher at 35 percent. Variation across the villages shows that lessors are high in Gollaprolu (East Godavari), Kowthalam and Kurnool, Anakapalle (Visakhapatnam), while lessees are in high percentage in Munugode, Neredcherla (Nalgonda), Chityal and Dornakal (Warangal) districts. Further disaggregation shows in AK Mallavaram in Gollaprolu mandal of East Godavari, and Palkaveedu in Neredcherla which are 100 percent surface irrigated and paddy zones

lessees outnumber lessors. In dry land villages of Warangal lessors are medium to big farmers and lessees are marginal to small farmers.

Further characterization of land owners in all the selected villages shows 55 percent belong to upper caste; 81 percent are male; 44 percent depend mainly on non-agriculture; interestingly 48 percent are marginal farmers; 55 percent of them lease out land to lessees not related to them by way of caste or kinship; and 70 percent of them are resident in the village. Further tenants have leased from more than one land owner. Nearly 19 percent have leased in from more than one land owner (Table 4).

Of all the tenants 90 percent are male; 60 percent below age of 40 years; 18 percent each belong to the scheduled caste and scheduled tribe, 40 percent to the OBC, and 25 percent to upper caste. Disaggregate picture of the tenants shows predominance of upper caste, 82 percent in Gollaprolu in East Godavari and 95 percent in Anakapally in Visakhapatnam, whereas in other districts OBC predominate followed by SC (Table 4).

In tribal areas of Rampachodavaram (East Godavari) and Hukumpeta (Visakhapatnam) tenancy is comparatively less. Relatively landlessness is less in tribal areas. But in Sarabhavaram in Rajavommangi mandal only 38 percent of the households have land. Non-tribes especially belonging to the Raju community (upper caste) have settled here for the past 30 years and most of them cultivate leased in land. Konda Reddy is the traditional tribe here. Later Khodh tribe was encouraged to settle with the support of Rajus who have kept most land under their control in the name of lease<sup>4</sup>. Hence in Sarabhavaram incidence of tenancy is high and concomitantly female tenants are high as land is leased in the name of women. In Vatangi (second village in Rampachodavaram) non-tribal presence is less due to its interior location and lease practice is also least. However actual area under tenancy would be higher than recorded tenancy in areas with high non-tribal presence like Sarabhavaram compared to Vatangi. Hukumpeta in Visakhapatnam presents a different case. There is less landlessness but tenancy is also considerable (between 11 to 17 percent HH lease in land). Bhagatha is the predominant land holding tribe who are also into non-farm employment due to which they leased out their lands to Bhagatha and Valmiki migrant households.

#### **2.4.2 Licensed Cultivators in Lease Market**

At the aggregate level pure tenants constitute higher percentage among the tenants received LECs (59 percent) compared to mixed tenants (owner cum tenant). But 45

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<sup>4</sup> One predominant Raju could get control over 70 acres of land by marrying a Konda Reddy woman. They also lease in land in the name of tribals. Rajus mostly cultivate cashew nut and paddy. Most of the tribals (Khodh) work as labour in his fields.

Table 4. Characteristics of Land Owners and Tenants (percent)

Variables	Warangal		Nalgonda		East Godavari		Visakhapatnam		Kurnool		All Districts
	Chityal	Domakal	Neredcherla	Mungode	Gollaprolu	Rajavommangi	Anakapalle	Hukumpeta	Kurnool	Kowthalam	
Number of land owners	444	482	532	267	696	113	412	140	497	385	3968
OC land owners	36.26	35.89	64.29	55.06	86.93	0.00	85.92	0.00	44.87	44.42	54.84
BC land owners	50.90	35.06	28.95	41.57	11.06	0.00	12.14	0.00	35.41	37.66	27.92
SC land owners	12.84	2.28	5.83	3.37	2.01	0.00	1.94	0.00	17.10	13.51	6.73
ST land owners	0.00	26.76	0.94	0.00	0.00	100.00	0.00	100.00	2.62	4.42	10.51
Male land owners	90.95	90.02	70.00	83.77	80.75	74.34	79.27	87.14	80.40	75.32	81.10
Land owners with											
Non-agriculture as main occupation	60.72	59.46	57.66	83.52	15.37	0.00	47.69	3.57	48.99	31.69	44.33
MF land owners	57.66	32.99	27.68	22.10	76.44	31.86	70.15	83.57	37.63	28.05	47.63
SF land owners	29.05	40.66	64.03	65.17	17.24	30.97	19.42	15.00	45.88	51.69	38.36
Medium Farmer land owners	10.81	24.90	8.29	11.99	6.32	30.09	9.95	1.43	16.50	18.44	13.08
BF land owners	2.48	1.45	0.00	0.75	0.00	7.08	0.49	0.00	0.00	1.82	0.93
Land owner not related to tenant	67.04	58.42	57.44	71.43	36.06	27.43	44.42	30.00	67.61	72.47	55.37
Land owner residing within the village	74.77	79.05	64.10	55.81	83.62	92.92	54.61	96.43	46.28	74.03	69.68
Characteristics of Tenants											
Male tenants	89.24	91.22	89.69	86.24	89.37	67.26	82.97	98.48	97.90	88.76	89.67
Tenants aged <=40	68.27	69.91	53.24	60.09	63.79	55.75	37.91	36.36	48.13	65.73	58.36
SC Tenants	18.41	5.64	16.60	10.55	6.90	0.00	0.55	0.00	34.81	20.51	13.97
ST Tenants	0.00	67.40	0.76	0.00	0.00	100.00	0.55	100.00	0.70	0.28	14.12
BC Tenants	69.12	26.33	50.76	82.11	11.21	0.00	8.24	0.00	51.87	63.76	39.60
OC Tenants	12.46	0.63	31.68	7.34	81.90	0.00	90.66	0.00	12.62	15.45	32.28
Tenants having agriculture as main occupation	97.17	99.37	91.22	93.12	100.00	100.00	51.65	81.82	97.43	100.00	94.10

Source: Field Survey, 2012

percent of pure tenants have still not obtained LEC. Land tenancy is more dominated by pure tenants in irrigated zones and mixed tenants in dry land zones. At the aggregate only 48 percent tenants own land and most of them fall into the marginal and small farmers' category. Owing to their small size of land they also lease in land, sometimes even medium to big farmers also lease in land hence mixed tenancy is quite substantial. When compared to pure tenants this section of tenants wield more power and credibility with financial institutions.

A more disaggregated picture shows along with pure tenants farmers with marginal holdings lease in land in irrigated areas while in case of dry land areas small and medium farmers lease in land. Average size of leased in land is 2.5 acres in case of wet land it is higher in case of dry land. Tenants have longer experience of leasing in lands in irrigated tracts compared to dry land areas. Lands are leased in from more than one owner. Around 10 percent of tenants lease in land from more than one land owner<sup>5</sup>. Such practice may be because of proximity to owned lands land parcels are leased in (Table 5).

Terms of lease are more stringent in irrigated lands. Lands are on lease for higher periods in wet land zones compared to dry land zones. 76 percent of tenants reported the wet land they have leased in is on lease for five years or less than five years. 57 percent tenants reported current leased in wet land is for one year only while 64 percent tenants said the current lease for dry land is for one year. 88 percent tenants lease in land based on oral agreement 67 percent tenants leasing in wet land are paying fixed rent in cash and 20 percent in fixed rent in kind form; in case of dry land 93 percent pay fixed rent in cash. 24 percent tenants paid fixed rent in cash before crop and 70 percent paid after the crop is harvested in case of wet land while in case of dry land 67 percent pay fixed rent in cash before crop is cultivated.

Average rent paid for per acre of wet land leased in per year is Rs 10, 743 while it is Rs 10,000 for dry land. Average rent paid in kind per acre (kharif) is 12 bags with highest at 17 bags in Gollaprolu (irrigated) and least of 5 bags in Rajavommangi (scheduled) mandals in East Godavari district; for rabi it is on average 8 bags. The rent in irrigated tracts works out to be highest at Rs 16000-18000 in AK Mallavaram (Gollaprolu mandal). However rent and other terms differ based on crop cultivated, and irrigation source. Lessors lease out land to lessees who are trusted and known to have long standing relations (Table 6).

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<sup>5</sup>This is prevalent in Dornakal mandal and Chityal mandals of Warangal district and Anakapally in Visakhapatnam district.

Table 5: Land Ownership and Land Tenancy Details of LEC Holders in Selected Villages (Percentage Tenants)

Sl.No	Characteristics	Warangal	Nalgonda	East Godavari	Visakhapatnam	Kurnoor	Kowthalam	Chityal
1	Pure Tenants	38	54	85	65	54	20	53
	Mixed Tenants	62	46	15	35	45	80	47
	Tenants for the past 5 years	70	60	51	15	10	20	58
2	Tenants owning wet land	21	6	13	8	39	77	9
	Marginal farmers	97	91	94	78	100	98	72
	Small farmers	3	9	6	11	0	2	25
	Medium farmers	0	0	0	11	0	0	3
	Large farmers	0	0	0	0	0	0	0
3	Tenants owning dry land	58	51	3	34	29	78	38
	Marginal farmers	81	49	100	58	98	95	45
	Small farmers	16	45	0	33	2	4	41
	Medium farmers	2	5	0	6	0	1	9
	Large farmers	1	1	0	3	0	0	5
4	Tenants leasing in wet land	12	0	63	18	98	100	39
	Leasing in marginal holdings	79	NA	86	89	93	84	81
	Leasing in small holdings	15	NA	12	11	7	15	16
5	Tenants leasing in dry land (percent)	94	99	35	85	5	67	60
	Leasing in marginal holdings	66	21	90	82	100	96	27
	Leasing in small holdings	26	42	9	16	0	4	36
6	Tenants leased in land from more than one land owner	23	11	0	0	25	0	10

Source: Field Survey, 2012

Table 6: Lease Market Characteristics of licensed cultivators in the Selected Villages (Percentage tenants)

Characteristics	Warangal		Nalgonda		East Godavari		Visakhapatnam		Kurnool		All Districts	
	Chityal	Dornakal	Neredcherla	Munugode	Gollaprolu	Rajavommangi	Anakapalle	Hukumpeta	Kurnool	Kowthalam	Chityal	
N	345	341	524	245	696	113	207	132	479	366	3448	89
% tenants obtained LEC	79	64	91	86	97	95	94	95	86	98		
Leased in land was on lease for less than or equal to 5 years	88	71	93	NA	94	47	45	44	53	46		76
Current lease is for one year	100	98	1	NA	99	84	96	75	1	81		57
Oral lease	39	71	89	NA	96	79	99	100	69	99		90
Fixed rent	100	100	100	NA	100	100	23	0	100	99		83
Average rent per year (RS)	12124	8913	9356	0	23658	2125	19738	0	10612	11747		12268
Average rent in kind(bags)	0	0	14	0	17	5	12	0	0	10		17
Share cropping	0	0	0	NA	0	0	77	100	0	1		17
Paid rent before crop	97	61	11	NA	38	42	15	0	30	50		27
Dry Land												
Dry land Leased in land was on lease for less than or equal to 5 years	80	69	96	87	85	89	56	40	79	65		76
Current lease is for one year	98	99	0	4	100	99	11	0	26	59		63
Oral lease	60	78	100	83	99	97	100	100	99	100		88
Fixed rent	100	100	100	100	100	100	11	0	100	100		94
Average rent in cash(RS)	12743	11425	12130	6444	13019	1975	2500	0	6991	8849		9718
Share cropping	0	0	0	0	0	0	44	100	0	0		6
Paid rent before crop	97	22	32	75	100	38	11	0	99	44		67

Source: Field Survey, 2012

Non-agricultural employment, high cost of cultivation, inability to do farming, labour scarcity and having more land are few reasons for leasing out land (Table 7).

**Table 7 Reasons for Leasing Out Land**

Reasons for leasing out	Response (%)
Non-agricultural employment	32
Unable to do farming due to old age, ill health, nobody to oversee	26
High cost of cultivation	20
Scarcity of labour	12
More land than can be cultivated personally	10

*Source:* FGD with Land owners , 2012

### 2.4.3 Variation in numbers of applications for LEC

20 percent of tenants listed have not applied for LEC. There are variations in the numbers applied across the selected villages/mandals/districts. Tenants could not apply due to lack of timely information, adequate knowledge about the programme, procedure of applying, remote location, biased dealing of Adarsha Rythu, objection of dominant land owning farmers/lessors. In Anakapally (Bowluvada & Marturu) in Visakhapatnam percentage tenants applied is lowest. As there was no timely information, tenants could not apply especially those located in far flung hamlets. In Chilukodu in Dornakal mandal in Warangal district only 65 percent tenants applied for LEC. This village is dominated by Reddy community and they have objected their tenants in applying for the card. Besides the supply side reasons of lack of information, tenants also could not apply due to objection of land owners - 22 percent tenants reported that survey numbers were not given by land owners at the time of application (in case of 3 village discussions also this was expressed). Land owners have objected to the tenants in obtaining LC status. Reasons for objection have been explained in further section.

### 2.4.4 Variations in number of LECs issued

Of the tenants who have applied for the LEC about 11 percent have not received the cards. The reasons can be classified as genuine reasons like applicants belonging to the same family; land leased in is assigned land or endowment land<sup>6</sup>, unable to produce caste certificate by the Valmiki (Scheduled Tribe) tenants in Hukumpeta in Visakhapatnam due to non-inclusion in the list of Scheduled Tribes.

The second set of reasons are more of procedural like putting an upper limit to the number of cards to be issued, mismatch of name on pattadar passbook, mismatch of survey number, land not existing on the survey number mentioned by the tenant, not present while enumerating/issuing cards<sup>7</sup>. Though there is no restriction on the number of LECs to be issued in few villages this was exercised.

The third set of reasons are issues of concern which need to be addressed by the implementing agencies like land owners objecting to issue of cards to the tenants. Land owners could restrict the issue of cards by not making known the survey number. However VROs have information on the survey numbers and mostly tenants came to know the survey numbers through the VROs. When the tenants have been issued the LECs then the land owners were alerted and in some cases have stalled the disbursement of the cards by the VRO. The percentage of tenants who reported 'reason not known' is the highest for not issuing LEC despite applying for it. In case of 5 FGDs (FGDs in villages of Chilukodu, Mannegudem (Warangal), Palkaveedu, Munugodu, Velmakanya (Nalgonda)) with tenant farmers they expressed that land owners objected to issue of LECs. In Anakapalle in East Godavari, the two villages (Bowluvada and Marturu) are dominated by Kapu land owners who are also leasing in land from within their community. Also cards were issued to members of the same family violating the rules of the Act. Marturu is better compared to Bowluvada though this village also is dominated by Kapu land owners as in the case of Bowluvada because the VRO has played positive role in issue of cards and was impartial. Both VRO and adarsha rythu followed the procedure of issue of cards by conducting Gram Sabha (FGD with 'tenants not received LECs' in Bowluvada and Marturu). In Chilukodu in Dornakal mandal of Warangal district too applicants have not received LECs. Land owners raised objections with the Tehsildar and prevented the tenants from obtaining LEC.

There are few land owners who have facilitated tenants to obtain the LECs. In Badinehal in Kowthalam mandal, Kurnool a former VRO and also land owner facilitated the issue of cards and also pursued with bank officials to issue bank loans. Similarly in Mannegudem in Dornakal mandal a land owner worked in close coordination with VRO to issue LECs. These land owners are educated, aware of the LC Act and forward thinking. They perceived that if tenants were given institutional support especially credit, farming becomes profitable which enables them to pay rent promptly (personal discussion with land owners).

Revenue officials also played supportive role in issue of cards in Sukuru, Konthili in Hukumpeta in Visakhapatnam, P Rudravaram in Kurnool, in Kumbalanur in Kowthalam a Vidya Volunteer facilitated in issue of cards, Sarabhavaram, Vatangi (Rajavommangi).

#### **2.4.5 Institutional Support to Licensed Cultivators**

The primary objective of the AP Land Licensed cultivators Act is to make licensed cultivators eligible to get crop loan from banks and other benefits like crop insurance, and input subsidy from agricultural department. At the state level 32.5 percent of licensed cultivators had been given bank loan (Revenue Department, GoAP, 10 February

2012). Of the Rs 58,0000 million crop loans given by banks in 2011-12, tenant farmers received only Rs 3900 million which is less than one per cent. The percentage of LEC holders who received bank loan in 2012-13 has reduced to 17 from 32 in the previous year. And the amount disbursed is only Rs 1330 million. But the target fixed for loans to be disbursed to the licensed cultivators is 20000 million (Revenue Department, 10 September, 2012).

Tenant farmers to a large extent depend on informal source of credit. According to the primary data in 2011-12, 14 percent obtained credit from institutional sources like scheduled commercial banks, cooperative society ; 6 percent received from SHG while 80 percent depended on informal sources of credit at high interest rate (Field survey).

The present study shows that only 15 percent of LEC holders have received crop loans from banks (Table 8). A disaggregated picture shows in P Rudravaram village in Kurnool (rural) mandal 68 percent of LEC holders have received bank loan. P Rudravaram has assured irrigation through KC canal as well as through ground water (Table 9). Paddy is the major crop cultivated. Vegetables are grown throughout the year because of assured irrigation. As the village is close by (25 km) to the city it has access to urban markets. The village also has high credit worthiness due to regular repayment of loans by land owners to the banks. Hence the Regional Rural Bank (Andhra Pragathi Grammen Bank) has taken initiative to extend credit to tenant farmers. As the production risk is minimal in such situations the outcomes are better in terms of issue of cards and bank loans

**Table 8 : LEC holders' Access to Bank Loan (Percentage)**

1	LEC holders issued bank loans	15
2	Villages where LEC holders did not receive any bank loan	55
3	Villages where less than 15 percent LEC holders received bank loan	23
4	Amount of loan disbursed per LEC holder (Rs) 6000-14000	
5	Mandals where 75 percent to 100 percent loan was from private money lenders	50
6	Share of private money lenders in total loan	53
7	Share of bank loan in total loan received by LEC holders	13
8	Share of coop society /SHGs in the total loan received by LEC holders	7
9	Share of traders in the total loan received by LEC holders	9
10	Landless LEC holders received bank loan	76
11	LEC holders received crop insurance against bank loan	56

*Source:* Field Survey, 2012

On the other hand in Palkaveedu village in Neredcherla mandal in Nalgonda 63 percent of LEC holders (mostly mixed tenants) received bank loans. However the issue of bank

Table 9: LEC holders received credit from institutional sources

Sl. No.	District	Mandal	Village	Tenant farmers	% Issued LECs	Tenants Issued LECs	% LEC holders issued Banks Loans	Banks given loans	Amount disbursed Per LEC (Rs)
1	Visakhapatnam	Anakapally	Bavluwada	107	30	9	Union Bank	-	-
			Marturu	212	66	27	Union Bank	-	-
		Hukumpeta	Kuntali	41	100	0	-	-	-
			Maliyaputtu	39	87	0	-	-	-
			Sukuru	60	90	0	-	-	-
2	East Godavari	Rajavommangi	Vathangi	31	100	39	Bank of India	6000	6000
			Sarabhavaram	76	100	0	-	-	-
		Gollaprolu	Thatiparthi	262	98	14	-	10000	10000
			A.K.Mallavaram	434	97	9	-	-	-
3	Kurnool	Kurnool	Remata	248	94	2	APGB	10000	10000
			P.Rudravaram	205	81	68	APGB	14000	14000
		Kowthalam	Kowthalam	83	96	0	-	-	-
			Badinehal	102	100	0	-	-	-
			Kumbalanur	186	94	0	-	-	-
4	Nalgonda	Munugode	Velmakaya	137	74	4	Canara Bank	-	-
			Munugode	93	100	0	Canara Bank	-	-
		Neredcherla	Kalluru	251	92	15	NGB, Nereducherla	12000	12000
			Palkaveedu	271	90	63	SBH	12000	12000
5	Warangal	Chiryal	Garmillapally	213	69	0	-	-	-
			Nawabpeta	195	71	0	-	-	-
		Dornakal	Chilukoduru	281	32	0	-	-	-
			Mannegudem	161	71	0	-	-	-
All	5	10	22	3688	80	15	-	-	-

Source: Field survey 2012

loans has become a big scam here. It was alleged by the farmers during the FGD that Rs 5000 was collected for issue of cards and bank loans were issued by the SBH to only such card holders. There is also a belief that crop loans would be waived off in future and hence need not be repaid and hence LECs and bank loans were knocked off by fake tenants in this village. On the other hand genuine tenants could not obtain LEC even if obtained could not get bank loan.

In Marturu in Anakapally 27 percent LEC holders were given bank loans by the Union Bank of Tummampalem. However farmers felt that more time is taken for processing the loan and they are unable to attend amidst busy agricultural work. In Vathangi in Rajavommangi 39 percent of LEC holders have been sanctioned bank loan by the Bank of India in Jeddangi. Vatangi has higher credit worthiness as it has better irrigation facility through rivulets and waterfalls and hence crops like paddy and chilly are cultivated. VRO has played crucial role in issue of LECs and also bank loans. On the other hand Sarabhavaram has bad credit record as it has debt outstanding to the tune of Rs 30 lakh. Due to this reason no fresh loans have been given to LEC holders in Sarabhavaram.

In dry land areas like Garmillapally, Nawabpet in Chityal mandal in Warangal, Munugode in Nalgonda, Hukumpet (scheduled area) and Kowthalam in Kurnool banks have not extended any loan to LEC holders.

The average loan given is the least in tribal areas at Rs 6000 (Vatangi in Rampachodavaram). Nowhere the crop loan has been given according to the fixed scale of finance for the different crops.

It appears banks have generally followed the below mentioned precautions while issuing loans to LEC holders

1. Land owner does not have outstanding credit on the land leased out so that double financing on the same piece of land is avoided
2. LEC holders are asked to form groups of five members or as Joint Liability Group (JLG)

Our data on bank loans shows that among all LEC holders that have received bank loans 76 percent are pure tenants and the rest are mixed tenants (Table 10). 94 percent of landless tenants have been given crop loan in P Rudravaram. Banks have insisted that LCs are formed into JLGs of 5 members. Each member of the group received Rs 14000 crop loan. JLGs are being formed sometimes under the supervision of the revenue department.

Table 10. Pure Tenants (LEC holders) Received Bank Loans

District	Mandal	Village	Pure tenant received bank loans as % to all LEC holders received bank loan
East Godavari	Rajavommangi	Sarabhavaram	50
		Vatangi	67
	Gollaprolu	Thatiparthi	88
Kurnool	Kurnool	A.K.Mallavaram	76
		Remata	70
	Kowthalam	P.Rudravaram	94
		Kumbalanur	80
		Kowthalam	-
Visakhapatnam	Anakapally	Badinehal	-
		Marturu	73
	Hukummeta	Bowluvada	58
		Konthili	-
		Muliyaputtu	-
Nalgonda	Munugode	Sukuru	-
		Munugodu	100
	Neredcherla	Velmakanya	54
		Kalluru	74
Warangal	Chityal	Palkaveedu	56
		Nawabpeta	-
	Dornakal	Garmillapally	-
		Mannegudem	-
		Chilukodu	-
All			76

Source: Field survey 2012

A majority of LEC holders have not been given bank loans despite the fact that bank loan forms the crucial part of the Licensed Cultivator Act and its implementation. 26 percent were not given bank loans due to pre existing loans of land owners; 23 percent LEC holders could not obtain bank loan due to reasons from bankers side like reluctance to give loans saying GO has not been issued, passbooks are not there, amount is not released, rejection by field officer and so on though the Act says that Public Financial Institutions may sanction loan (crop loan) only on production of LEC without insisting the production of any revenue record. 4 percent were not given loan for which tenant farmers were asked to approach bank after forming into JLGs and 5 percent could not obtain due to land owners instructing bank officials against giving loans to LEC holders;

2 percent could not get due to revenue officials not sending the list/ not functioning properly; 2 percent were not given due to unpaid loans by tenant farmers taken on their own land; 2 percent were not given due to reasons on part of LEC holders like delay in submission. FGD data shows that in case of five villages (Chilukodu, Mannegudem, Bowluvada, Marturu, Badinehal,) the reason for not obtaining bank loans by LEC holders is due to objection raised by land owners.

#### **2.4.6 Other Benefits**

Along with bank loans other benefits also form part of entitlement for the licensed cultivators under the Act. Input subsidy from the agriculture department is an important benefit that tenant farmers will get. Apart from the input subsidy, they are entitled to crop insurance in times of crop failure and any compensation for natural calamities. Only 0.6percent of LEC holders or 17 (6 in Neredcherla, 4 in Kurnool, 5 in Kowthalam, 2 in Anakapally) have received inputs like seed, fertilizer on subsidy. 56percent of LEC holders who received bank loans have also received crop insurance at the aggregate level (Table 8). LCs reported that in some instances crop insurance cheques are being issued in the name of land owners. This is because of lack of coordination between the revenue and the agricultural departments. The former has to disburse the list of LCs to the latter on time.

Officials of the agricultural department have been insisting for pattadar passbooks for disbursal of inputs on subsidy. As the Licensed cultivator list is either not prepared / or not sent to agriculture department on time the disbursal of input subsidy is mostly going to owner farmers rather than to tenant farmers. This is so more in the case of subsidized cotton seed which was given/ taken by land owners and sold for a premium in the open market . LCs who received bank loans in Munugode complained that they never received any crop insurance despite loss to the cotton crop. In Remata village MAO refused to give any inputs to tenants without the permission of the land owners. In Mannegudem in Dornakal mandal cotton seeds were supplied by the agriculture department which was in severe short supply to land owners only.

### **III. Implementation Problems: Issue of LEC**

As the Act was implemented in agricultural year 2011-12 for the first time in the state for that matter in the country an awareness drive was necessary to make the tenants and the land owners know about the then Ordinance/Act. As land is still a sensitive issue and any Act regarding land and its access/ownership/tenancy reform brings in lot of apprehensions in the minds of people especially the land owners. Our field experience brought out the fact that the Revenue department has not been geared adequately for effective implementation. Failure to disseminate the rules and provisions of the ordinance/ Act, knowledge of the programme, procedure to obtain LEC has raised

many apprehensions and much chaos especially among land owners. Despite the location of the study in areas of high numbers of LCs 'lack of awareness' was found to be a main reason for many things- like not applying (especially in case of remote areas), not accessing bank loan, and also for fears of land owners. Not in one village we have found the application forms kept with Grama Samakhyas. Sometimes they were available in the village with the VRO and sometimes at a photocopy centre in nearby centre outside the village. Money was collected for the application form ranging from Rs 10 -100.

The process of issuing cards has been completed in the prescribed process in few villages but in some villages it was not according to the procedure. In Bowluvada in Anakapally, and Thatiparthi and AK Mallavaram in Gollaprolu, the VRO was partial to the dominant community, in Remata in Kurnool Gram Sabha was not conducted but VRO has recorded all names of tenants for issue of LECs. In Palkaveedu in Neredcherla Rs 5000 was collected for issuing LEC as well as bank loan.

The local knowledge of the VRO has been useful in ascertaining tenant farmers and also in knowing the survey numbers of the land owners. Often the tenants have taken the details of the survey numbers of their leased in lands from the VROs. There are also instances where land owners have reprimanded the VRO for letting the tenants know the survey numbers of the leased out lands. In the districts of Visakhapatnam, East Godavari Adarsha Ryhtu has played an important role working along with VRO in issue of the LECs. In Marturu a women volunteer from Sakshara Bharathi, a vidya volunteer in Kumbalanur have facilitated in issue of LECs. Land owners also have played a positive role in issue of cards in Munugode in Nalgonda, Badinehal in Kowthalam, Dornakal in Warangal.

The Revenue Officer sends the completed lists of licensed cultivators to the banks under which purview the village falls for further processing of bank loans to the tenant farmers. Most often it has become the untold duty of the MRO/ RDO to follow up with the banks for sanctioning bank loans to the licensed cultivators. The revenue personnel have been set the target of at least 40 percent of licensed cultivators to be issued bank loans. RDOs and MROs have expressed that if they are disassociated with the duty of obtaining bank loans for the licensed cultivators they would be able to concentrate more on identification of tenants and issue LECs to all genuine tenants. Besides the target by itself limits the initiative towards issue of LECs (Discussion with Revenue officials, 11 October 2012).

Revenue department also needs to work in close coordination with agriculture department in making available other benefits like input subsidy, extension, compensation in case of crop damage. Such coordinated interplay was not seen in many of the villages except in case of Gollaprolu in East Godavari where there is good

interaction between revenue and agriculture departments mainly because of the initiation by the district Collector. However both departments complained that they could not get the cooperation from the banks in giving loans to the tenant farmers.

The process of distribution of cards and issuing of crop loans has not been on time. Tenant farmers could not go to banks for getting crop loan due to being busy with transplantation in the paddy zone. Moreover the time taken to communicate with bank officials, their lukewarm response acts a constraint for them to approach the officials. Though the process of issue of LECs should be completed by 15th of May as per the rules issued by the CCLA this was not so in 2011-12. Since 2011-12 has been the inception year some delays could be expected but issue of cards has not been done according to time schedule in 2012-13 also. The revenue department complains that it has more work burden and less working hands to tackle the work. Though it was conceived that the departments of revenue or MRO, MPDO and Agriculture would converge at the different levels to implement the Act in practice major responsibility has been on revenue department.

VROs play a critical role in the LC system. The VROs have taken proactive role in issuing LEC and also in pursuing with bank officials to give crop loans to tenant farmers. VROs have been helpful in providing required papers like the No Objection Certificate, No dues, clearance from land owners and so on. Adarsha rythu also played proactive role. In fact some banks have issued loans with the guarantee of MRO/VRO and Adarsha rythu. However VRO role also has been negative in being biased and partial to certain sections of people.

### **3.1 Credit from Banks**

The Act says that bank officials can sanction crop loan based on LEC without insisting on any other revenue records, but in practice banks have taken a different approach implicitly. The onus of issuing LECs is on the Revenue department and they have also pursued with the bank officials to disburse bank loans to the LEC holders. Despite policy decision to give loans as part of priority sector to the LEC holders banks have not been enthusiastic to disburse the same to tenants.

On the other hand land owners have constrained banks in giving loans to tenant farmers. The land owners perceive that in the event of natural calamity and crop failure then the crop loan extended to the tenant remains as an outstanding against the survey number of their land. Land owners are also not ready to forego the access to crop loan especially in the context of '0' interest loan that has come into vogue from 1st January 2012. This is the case with small and medium lessors which is considerable in the lease market. The directive that crop loans of the land owners be converted to term loans, to facilitate

crop loans to the LCs has not been followed as interest rate on medium term loan is high and land owners would cry hoarse over it. On the other hand such move would facilitate giving of crop loan to licensed cultivators as the problem of double finance would no more remain.

The land owners strongly voiced against giving banks loans and other subsidies based on the survey numbers of their leased out lands, instead they could be linked to other social security means like ration card, aadhar card or MGNREGS card or other benefits from the state like housing and so on. Land owners (especially from dry land areas) also voiced that crop loan should be their exclusive entitlement as it is the only low cost source of credit on their own lands even in the event of leasing out their lands.

Bank officials have raised doubts over the issue of LEC by the Revenue department. It was evident from the study that banks extended crop loans to LCs in safe areas with irrigation facility and good financial credibility or through safe methods through JLGs which would ensure repayment. Bankers also voiced that they be made part of the process of issue of LECs to tenant farmers.

Policy uncertainty like expectation of loan waiver has blocked to some extent the repayment of existing crop loans by land owners which has also hindered disbursement of new loans to tenant farmers. Farmers try to act rationally in anticipation or expectation of loan waiver. Loan waiver expectation also has been inculcated among the licensed cultivators which has become a hindrance to repayment of crop loan. This perception was most found in Palkaveedu where bank loan became a scam.

The operational issues raised by the banks have been mainly concerned with the term of the card. The one year for which the LEC is issued is too short for the LCs to repay crop loan in the event of any calamity and in which case existing loans have to be rescheduled for 4 years into medium term loan with a moratorium of one year and repayment of 3 years. The other major area of concern is that as cost of cultivation for tenant farmer is higher than the owner cultivator due to payment of rent on land financial viability becomes questionable. The present scale of finance decided by the District Level Technical committee is not inclusive of rent paid by the tenant. Besides the crop loan extended to the licensed cultivators is not the same as the scale of finance. It is mostly under financing the needs of the tenant farmers. The third area of concern is that of double financing. Banks are reluctant to lend if land owners have outstanding loan on the leased out land. Purpose neutral loans may be designed for LCs formed into JLGs as a way out. In East Godavari district such 'purpose neutral loans' have been given to JLGs of licensed cultivators. However the benefits of crop loan like interest subsidy and crop insurance will not be applicable to these loans. A way out could be

that interest subsidy could be extended on timely repayment making them eligible for 3 percent effective net interest at farmers level (pavala vaddi) or '0' interest loans .

#### **IV. The Act and Apprehensions**

The Act very clearly says that 'tenants will enjoy the benefits like crop loan and other benefits 'without effecting rights of owners' land owners. It also says that 'it does not create or confer any right of possession, tenancy or interest of whatsoever nature over the land under licensed cultivation'.

Notwithstanding these clauses the land owners perceive adverse possession due to continuous leasing out to the same party. This may be due to the fear of invoking the earlier Tenancy Act as it had not been abolished. The provisions of 'The AP Licensed Cultivator Act' overriding other laws in that 'the provisions of this act shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force except the Andhra Pradesh Scheduled Area Land Transfer Regulation Act (APSALTR 1959) or putting a bar on the civil courts that no decision made or order passed or proceeding taken by any officer or authority or the government under this act, shall be called in question before a civil court in any suit, application or other proceeding and no injunction shall be granted by any court in respect of any proceeding taken or about to be taken by such officer or authority or government in pursuance of any power conferred by or under this Act also have not cleared the apprehensions of land owners.

Majority of the land owners' perceive the AP Licensed Cultivator Act 2011 that it would harm the rights to ownership and also fear non repayment of bank loan as an outstanding against the survey number of their holding which would burden them and also harm future transactions. This opinion was expressed in 13 out of 15 FGDs conducted with land owners. Only in two group discussions in Nawabpet and Rudravaram land owners felt that giving LEC and crop loan would not be a problem to them and that would ensures regular and timely payment of rent to the owner in order to continue the contract. It is also stated that land owners' apprehensions about the implications of the ordinance has resulted in strained relations between the land owners and tenants in Konaseema in which 13 mandals have declared a 'crop holiday' in kharif 2011 (Report of the State level Committee, 2011).

Land owners who do not have correct title deeds and who have illegally occupied government land and are giving such lands on lease fear that these lands would go out of their possession and get distributed to poor. One land owner in Munugode appealed to cancel the LEC issued on his leased out land.

Tenants on the other hand perceive Act progressive but there is a need for the Act to be

implemented in the right spirit for which Government officials need to clear all apprehensions of land owners and MRO should facilitate tenants to obtain survey numbers of leased in land. Since most of the land owners have taken crop loan which has preempted them to access the same, they should be given institutional credit without linking to survey numbers and also get access to all other benefits according to the Act.

#### **V. Issues and Challenges in Liberalizing Lease Market**

The AP Licensed Cultivator Act passed in 2011 is an attempt to liberalise lease market by enabling tenants/licensed cultivators' access institutional credit and other benefits without jeopardizing the rights of the land owners. Though the Act has incorporated legal provisions to alleviate fears of land owners it was not entirely successful in its mandate. This may be due to lack of effort on part of the Revenue Department as the implementing authority to disseminate the provisions of the ordinance/ Act. The pre conditions for the effective implementation of the Act in terms of political mobilization (as land is sensitive issue) and social mobilization has not been taken up.

Secondly the land owners perceive the threat of adverse possession due to continuous leasing to same party. To alleviate this fear of the land owners it has been suggested that the clause of adverse possession of land in land reform laws of various states be deleted (Haque, 2012). This may instill the required confidence among the land owners which may also facilitate leasing term to be extended to 3-5 years. Besides the advantages with longer lease terms are many where it would facilitate banks to access more credit which shall contribute to productivity of land and also provide adequate time for repayment in case of crop loss.

The implementation of the Act is beset with many problems. The prerequisites for implementation of any such Act are not in place. Land records determining the ownership rights need to be updated. Though computerization of land records has been done the ultimate goal of integrated land administration system has not been achieved. The three departments - revenue department, survey and settlement and registration departments need to be in sync with each other on real time basis for effective implementation of any reform. Banks and agricultural department can also be brought into this linkage for effective disbursal of credit, insurance claim and compensation for crop damages. All tenants need to be recorded by revenue department.

Though convergence of departments is built into the implementation process revenue department plays the key role. At the village level a 'LC implementation committee' can be constituted with VRO, Adarsha Rythu (model farmer), one member from women's SHG, representatives from tenant farmer and land owner organizations in order to be transparent and accountable in enrolling tenants, issue of cards and related

benefits like compensation for crop damage. Similar coordination committees could be formed at district level with District Revenue Officer, Joint director of Agriculture, lead bank officials, Zilla Samakhya member, and member of tenant farmer association, and land owners association at mandal level with corresponding officials. These committees shall strive to educate land owners and tenant farmers about the legal and social and economic implications of the Act.

Presently the Revenue officials also pursue with banks for credit disbursal. If the banks are roped into the process of identification and issue of LECs then they can take on the process of credit disbursal easily and effectively, hence reduce pressure on revenue department. The greatest challenge is to secure access to credit in a situation of resistance by land owners. Delinking with survey numbers and purpose neutral loans for LCs, formation of JLGs for credit access, and government giving counter guarantee for the credit to LCs are some options that have come up. But purpose neutral loans cannot ensure other financial benefits related to cultivation like crop insurance and compensation in times of natural calamities to the tenant farmers (drought and floods). Presently land owners are obtaining crop loans and insurance and compensation too. One way out is to convert all crop loans of land owners into medium term loans, but again as they attract higher interest rate farmers have been opposing this move especially in the wake of interest subvention resulting in low interest crop loans. Then government needs to unequivocally take a stand that land owners can have either rent on leased out land or crop loan but not both and LCs be made eligible for crop loan and other related benefits.

The experience from the institution of rythu mitra groups (RMGs) or the farmer SHGs consisting of small, marginal and tenant farmers, share croppers and oral lessees shows they could effectively contribute to social mobilization besides also being an institutional backup as credit purveyor. Alternatively banks can effectively make use of the Principal-Agent model by engaging Business correspondents or Mandal Samakhyas as agents for onward lending to JLGs of LCs. The institution of Rythu mitra Groups could be revived by supporting towards capacity building. Scale of finance to tenants should be inclusive of rent on land. Transparency needs to be built into the system at every stage.

With apprehensions in galore landowners may resist issuing loan eligibility cards to the tenants or rotate the tenants from year to year and plot to plot which will create insecurity and disincentive for the tenants to cultivate land efficiently. Some land owners also may prefer to keep land fallow. The best course of action for the government would be to insert a new clause in the Act, saying that leased in land would automatically revert back to the landowner on the expiry of lease period.

In the present context the lease market is dominated by lessors belonging to marginal and small holding categories and nearly 50 percent of lessees being landless it becomes important to liberalise lease market to make it win win situation for both land owners and tenants. Land owners have increasingly entered into non-farm business, employment, service sector retaining their interest in agricultural land. As land has become an asset they are reluctant to sell the land but also unwilling to invest on cultivation and hence pass the burden of cultivation on to the tenant farmers. The best and viable alternative for them is to lease out land and get some assured rent from it while the financial value of land is rising. On the other hand the number of tenant farmers is ever rising in the state with more land less and land poor leasing in land. The AP Land Licensed Cultivators Act may be effectively used for the protection of interests of both land owners as well as tenants.

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