

THE NEGLECTED TALE OF AGRICULTURAL LAND MARKETS

Sobia Rose

Throughout history, land has consistently played a pivotal role in shaping power structures within societies. This is particularly evident in South Asia, specifically Pakistan, where land ownership has been a fundamental element influencing the country's political landscape. Political candidates with landholdings tend to garner more votes compared to those without land ownership, as noted by Beg (2014). Almost all the national and provincial assembly members belonging to any political party are primarily landlords and feudal in their orientation. This leads the author to assert that Pakistan's historical landscape has often been characterised by feudalism, with exceptions during General Ayub's era and PMLN's leadership in the 1990s, promoting industrialisation. However, local politics remained dominated by large landlords, reinforcing the notion that control over local land resources signifies power.

The complication dates back to the colonial era when unjust distribution of resources elevated a certain class of society to the power corridors. The issue still persists when we see that there are 175 registered political parties with the Election Commission of Pakistan and their

playing field is primarily land and agriculture. These landlords, rooted in historical practices dating back to the 1901 Land Alienation Act, persistently thwart the establishment of a fair land market. Further, weak land governance and administrative systems, coupled with poorly harmonised legal frameworks, contribute to the prevalence of land-related conflicts, serving as indicators of societal inequality and vulnerability – especially in rural areas, where the agricultural landscape is dominated by small and fragmented land holdings. Almost 89 percent of farmers hold an average farm area of less than 12.5 acres, and 64 percent hold less than 5 acres.¹

The transfer of agricultural land serves as the fundamental building block of land markets. Surprisingly, when assessing factors influencing overall agricultural production, the issue of a fragile land market is often overlooked.

¹https://www.pbs.gov.pk/sites/default/files/agriculture/publications/agricultural_census2010/Tables%20%28Pakistan%20-%20In%20Acres%29.pdf

The process of transferring agricultural land from seller to buyer involves numerous participants and can span several months. Each transaction typically takes around 3 to 4 months and is marred by multiple instances of corruption. Costless and hassle free transaction of land is almost impossible. Land prices in Pakistan have always been inelastic because it is considered an important asset for maintaining social status and political power.

Hirashima (2008) argues that although land is a factor of production just like labor and capital but its immobile nature and limited scope of extension makes its prices higher due rising demand and static supply. The market price of land has always been higher compared to the District Collector Rate (DC Rate). But in reality, during the transaction both parties often conspire to declare the land's value in accordance with the Deputy Commissioner (DC) rate, concealing the actual market rate to circumvent the 8 percent transfer fee (of total property value), which has, in turn, aggravated corruption at the time of land transfer. This element of corruption is headed by local feudals who heavily rely on local constituencies for vote banks, for which they need a certain dominance in power relations.

The existence of efficient land markets with clear property rights and ownership will empower small farmers – the prospects of which are unfailingly resisted by those who wish to maintain the status quo. Local land politics trickles up and enhances the dominance of landlords at the national political landscape. This deeply rooted pathology is also due to weak institutional structures controlling and regularising the land markets. The patwar culture was eliminated a decade ago but later reinstated with expanded powers that granted patwari a central role in issuing the 'fard' for mutation. Most transfer deeds favour large landlords, while small farmers and landowners are typically sidelined.

Land records were last updated in 2016, and Revenue Departments at the provincial level have failed to effectively harness this resource. There are several sections in the Land Revenue Act of 1967 that need to be updated. For example, Section II7 states "a Revenue Officer may define the limits of any estate holding field and may also erect marks or referred the same already made." Instead of this, the utilisation of digitalised land records and satellite demarcations can be used to mark land parcels.

Keeping in view the above background, the following solutions are suggested to ensure efficient land markets where true democratisation of local politics can be ensured.

- The land transfer regulations (mutation and registry) have remained unchanged since pre-partition times. The Revenue Act of 1887 underwent its last update in 1967, with only minor modifications proposed during the Green Revolution. The primary transfer laws are now outdated and do not align with the requirements of modern times. Therefore, it is imperative to revise and update these acts, incorporating the concept of using technology to automate land transfer procedures.

- Weak land markets and excessive local government involvement in land matters lead to a decline in government land tax revenue. Patwaris sometimes collude with buyers and sellers, reporting a minimal land value, even when the land is intended for agricultural, commercial, or housing purposes. Consequently, the land is categorised as agricultural with the lowest value in the Revenue Departments' records. So there is a dire need to revisit Land Transfer Fees and eliminate the DC rate system. The valuation of land should be based on factors like location, amenities, soil type, distance from market etc. which can be achieved by synchronising PLRA data with satellite data. To combat corruption at the transaction level, it is recommended to decrease the land transfer fees.

- Land-related disputes have a significant impact on agricultural production. Despite patwaris being equipped with laptops, the records uploaded in the Arazi Record Centre remain outdated. To address this, it is essential to streamline the processes involved in land transfers, minimising the number of intermediaries and introducing a one-window solution at qanoon goi level to simplify transfer procedures in terms of accessibility and transaction procedures as well as associated illegal costs.

- The presence of multiple stakeholders, working in isolation and lacking effective information exchange, hampers the overall management of land-related matters – for which a cross department synchronisation of activities is required. A collective objective of enhancing agricultural production can only be achieved with collective action by all key stakeholders such as Revenue Departments, Agriculture Departments, and the most important stakeholder: the farmers themselves.

The author is a Research Fellow at the Pakistan Institute of Development Economics (PIDE), Islamabad.