

# REFORMING AGRICULTURAL LAND MARKETS IN PAKISTAN: OVERCOMING STRUCTURAL INEQUITIES

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## THE HISTORICAL ROOTS OF INEQUITABLE LAND OWNERSHIP

Social and political hierarchies are shaped by land ownership historically. Land ownership appears as a powerful force defining social and political structures in the society. This pattern is clearly noticeable in south Asia and particularly in Pakistan, where control over land has severely impacted political dynamics. According to Beg (2014), political candidates who own land are more likely to secure votes than those without landholdings. Therefore, most of national and provincial assemblies' representation consist of members who are landlords or those who have the feudal backgrounds, across party lines. Hence, political power in the region often favors those with landholdings, creating a landscape dominated by landlords. This pattern has led to argue that Pakistan's history is largely defined by feudalism, except for periods like General Ayub's rule and the PMLN's focus on industrialization in the

1990s. Nevertheless, large landowners have dominated local politics, accentuating the association between land control and political power. Further, The legacy of the colonial era and the introduction of the 1901 Land Alienation Act have fostered this inequitable land ownership, shaping political and economic power to the present day.

## THE FLIMSY ARRANGEMENT OF AGRICULTURAL LAND MARKETS IN PAKISTAN

The basic pillar of Agricultural Land Market (ALM) is the transfer of agricultural land from one hand to another. Whenever the factors that influence agricultural production are evaluated, regardless of its significance, the disquiets connected to weak ALM are overlooked usually. Generally, ALMs in Pakistan are plagued by bureaucratic delays, frequent corruptions, and complex transactional procedures. The process of transferring land is consist of various intermediaries which takes up usually three to four months to

complete a transaction. This procedure is coupled with various instances of corruption, another significant element causing delays. A big disparity between the officially recorded value of land and the prevailing market prices is another important aspect which severely impacts the farmers' particularly small farmers. Therefore it is nearly impossible to realize a cost-free and hassle-free land transaction. These are primary factors which prevents the formation of a fair and efficient ALM in Pakistan.

## THE SWAY OF FEUDALISM AND ALM STAGNATION

Land is a production factor just like labor and capital but land is immobile and further the potential for expansion is limited which usually drive up land prices with increasing demand whereas supply remains fixed (Hirashima, 2008)<sup>22</sup>. Furthermore, the agricultural land is seen as source of power and status which makes the land prices inelastic. For all political elites and feudal lords, land ownership is central to influence and control that is the core reason behind all the resistance against the land reforms we usually observe.

In land transactions, parties frequently manipulate reported values to avoid the high 8 percent transfer fee on the total property value. Both buyers and sellers commonly understate the land's value to align with the official Deputy Commissioner (DC) rate, concealing the actual market rate. This exercise perpetuates entrenched corruption in land transfers, habitually benefiting large landowners and feudal elites who exploit these undervalued transactions to maintain lower tax liabilities. As a result, feudal elites influence these arrangements to preserve power, relying on their dominance in local constituencies to secure votes. On other hand, during this process small farmers are becoming marginalized more and more.

## CHALLENGES FACING SMALL FARMERS AND FRAGMENTED LAND HOLDINGS

The agricultural landscape in Pakistan is dominated by small and fragmented landholdings. Nearly 89% of farmers operate on farms less than 12.5 acres, with 64% holding less than 5 acres. When transferring land, these small farmers have to face dogged snags. Further they have a very limited access to the facilities of formal financing. They have to encounter frequent displacements too due to unresolved land disputes. Their economic potential is further stalled due to an inefficient administrative structure and the outdated land records.

These small farmers can be empowered by establishing efficient ALMs with clear property rights and ownership. But, this prospective is importunately resisted by those who capitalized in maintaining the status quo. The influence of local landlords is further reinforced by the local land politics, extending their power onto the national political stage.

## OUTMODED LAND LEGISLATION: AN OBSTRUCTION TO MODERNIZATION

The legal structure governing ALM is outmoded, such as the Land Revenue Act of 1967. There are several regulations which remained unchanged since pre-partition times, forming substantial blockades to modernization. Even though land records were last updated in 2016, provincial Revenue Departments have not effectively leveraged this data. Numerous sections of the Land Revenue Act of 1967 require revision. For example, a Revenue officer is allowed to establish estate boundaries and to put boundary markers under the section II17. As an alternative, modern methods can be used to define estate boundaries such as digitized land records and satellite-based demarcation could define land parcels more accurately.

Further, the \*patwari\* system eliminated a decade ago, was later reinstated with expanded powers, giving the patwari a central role in issuing the fard for land mutation. This practice often favors large landlords, sidelining small farmers and landowners in the process.

For a more transparent and efficient ALM in Pakistan, digital tools like satellite mapping can be leveraged. Further laws related to ALM can be streamlined with the assistance of digital tools.

<sup>22</sup>Hirashima, S. (2008). The land market in development: a case study of Punjab in Pakistan and India. *Economic and Political weekly*, 41-47.

## PROPOSED REFORMS FOR A TRANSPARENT AND EFFICIENT ALMS

For increased agricultural productivity and equitable economics growth in the country modernization of ALM is fundamental. Which can be leveraged by addressing structural inequities, modernizing land laws, and implementing transparent processes. For this following reform recommendations are imperative:

- Keeping in view the current structure, there is prerequisite to revamp the laws related to mutation and registry. For this purpose, technology can be acquired to simplify and automate land transfers.
- The valuation method, generally the DC rate system is archaic. Further, DC rate system is not the true representative of land value. Land valuation should be dynamic by considering the key features of land, such as location, amenities, and market demand.
- Land transfer fee is also high providing incentives for undervaluation. Therefore, to ensure transparency in transactions and land valuations, land transfer fee should be reduced. This will absolutely reduce the incentives for misvaluations.
- To reduce bureaucratic delays and minimize procedural costs, there is need to introduce a one-window solution
- To ensure comprehensive land management strategies and efficient dispute resolution, cross department collaboration need to enhanced and strengthened especially between Agriculture and Revenue department.

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