



Agricultural Land Leasing in India: Issues, Reforms, and Way Forward

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Agricultural land leasing refers to the arrangement by which landowners (lessors) allow farmers or cultivators (lessees) to use agricultural land for a specified period in exchange for a fixed payment, crop share, or other agreed-upon compensation. In India, land leasing has historically been a vital livelihood strategy for landless labourers and small farmers, enabling them to access land without the capital required to purchase it. Despite its economic significance, formal land leasing is heavily restricted in most Indian states due to tenancy laws enacted after Independence. These laws, designed to protect tenant farmers from exploitation, have paradoxically driven land leasing underground—creating informal, unregistered arrangements that leave both landlords and tenants legally vulnerable. In recent years, policy discussions have increasingly focused on reforming land leasing laws to recognize and regularize informal tenancy, ensure tenant rights, and unlock agricultural growth. This article examines the concept, current landscape, key challenges, policy interventions, and future directions for agricultural land leasing in India.

Concept and Types of Agricultural Land Leasing

Land leasing in agriculture takes several forms depending on the nature of payment and the terms of agreement:

- 1. Fixed-Rent Leasing:** The tenant pays a fixed monetary rent to the landlord irrespective of the crop yield. This is common in regions with stable crop patterns and provides income security to the landowner.
- 2. Crop-Share Leasing (Batai)** The harvest is divided between the landowner and the tenant in an agreed proportion—typically 50:50. Known locally as batai or adhiari, this form is dominant in states like Uttar Pradesh, Bihar, and West Bengal. The risk is shared but creates dependency.
- 3. Contract Farming Leases:** Companies or agribusinesses lease land from farmers for growing specific crops under pre-set terms, integrating farmers into supply chains while providing inputs, technology, and guaranteed buyback.
- 4. Short-Term and Long-Term Leases:** Short-term leases (seasonal or annual) give flexibility to both parties but discourage investment in the land. Long-term leases (5–25 years) promote land improvement, irrigation development, and better land utilization by tenants.

Current Landscape of Land Leasing in India

Despite legal restrictions, informal tenancy is widespread across India. National surveys indicate that a significant proportion of operated land is leased-in by smallholders:

State / Region	Estimated Tenancy Rate (%)	Dominant Lease Type
Andhra Pradesh & Telangana	35–40%	Fixed Rent
West Bengal	25–30%	Crop Share (Batai)

Uttar Pradesh	20–25%	Crop Share (Adhiari)
Punjab & Haryana	30–35%	Fixed Cash Rent
Odisha	20–30%	Informal / Unregistered
National Average (approx.)	~20%	Mixed

Source: NSSO 70th Round (2012-13); NITI Aayog – Report on Agricultural Land Leasing (2016); State Agriculture Departments

Informal tenancy, while common, deprives tenants of access to institutional credit, crop insurance, and government subsidy schemes—since they cannot prove cultivator status without formal lease documents.

Legal and Policy Framework

India's land leasing framework is governed by state-level Tenancy Acts enacted primarily in the 1950s–70s. Most of these laws:

- Prohibit or severely restrict sub-leasing and tenancy
- Cap rental rates, making formal leasing unattractive for landowners
- Confer ownership or occupancy rights on long-term tenants—discouraging landowners from entering formal leases
- Create complex dispute resolution mechanisms that are slow and costly

As a result, landlords prefer informal, unrecorded leasing arrangements to avoid legal risks, while tenants operate outside the formal agricultural support system.

Key Policy Milestones

2016 – NITI Aayog Model Agricultural Land Leasing Act: NITI Aayog released a model law recommending that states legalize and regulate agricultural tenancy. Key features included:

- Freedom to lease land at mutually agreed rents
- Automatic termination of lease on agreed date (protecting landowner's title)
- Written, registered lease contracts
- Tenant access to crop loans, insurance, and government schemes during lease period

2021 – Draft Model Tenancy Act (Urban focus, but with lessons for agriculture): Reinforced the principle of written agreements and balanced rights for both parties.

State-Level Reforms: Andhra Pradesh (2011), Telangana (2011–onwards), Odisha (2022), and Madhya Pradesh have taken steps toward legalizing leasing or creating tenant-farmer certification schemes (like Rythu Bharosa Kendras in AP/Telangana).

Government Budget Allocation for Agricultural Reforms

The central government has progressively increased allocations for agriculture modernization and land record digitization, which underpins land leasing reforms:

Financial Year	Agriculture & Allied (₹ Crore)	Land Record Modernization (₹ Crore)
2021-22	1,31,531	250
2022-23	1,51,521	320
2023-24	1,44,214	415
2024-25 (RE)	1,51,851	500
2025-26 (BE)	1,71,437	650 (est.)

Source: Union Budget Documents 2021-22 to 2025-26; DILRMP – Department of Land Resources, Ministry of Rural Development

Benefits of Formalizing Agricultural Land Leasing

For Tenant Farmers

- Access to institutional credit (Kisan Credit Card, crop loans) using lease agreement as proof of cultivation
- Eligibility for crop insurance under Pradhan Mantri Fasal Bima Yojana (PMFBY)
- Entitlement to government input subsidies, MSP benefits, and welfare schemes
- Legal protection against arbitrary eviction

For Landowners

- Secure, legally enforceable contracts with guaranteed return of land after lease period
- Regular, documented rental income without fear of permanent loss of title
- Freedom to set market-determined rents

For the Agricultural Sector

- Consolidation of fragmented land through leasing, enabling mechanization and economies of scale
- Improved land utilization—currently 15–20 million hectares of agricultural land lies uncultivated due to fear of informal tenancy disputes
- Increased agricultural investment and technology adoption by secure tenants
- Reduced rural distress and migration by increasing access to land for the landless

Challenges in Agricultural Land Leasing

Despite the clear benefits, several challenges impede progress in land leasing reform:

- Political resistance: Tenancy reforms are sensitive—states fear backlash from tenant groups who may lose informal occupancy rights if formal leases replace them
- Fragmented land records: Incomplete, inaccurate, or disputed land records make it difficult to establish clear ownership and facilitate leasing
- Low awareness: Both landowners and tenant farmers are often unaware of the legal framework, model laws, or the benefits of formal leasing
- Lack of institutional capacity: Revenue departments in rural areas lack the infrastructure to register large volumes of agricultural leases efficiently
- Gender and marginalization: Women and SC/ST cultivators often lack formal land rights, limiting their ability to lease land or access benefits as tenants

Way Forward and Policy Recommendations

To unlock the full potential of agricultural land leasing, the following measures are recommended:

1. Adoption of the NITI Aayog Model Act

All states should adopt or adapt the Model Agricultural Land Leasing Act, 2016 to create a legally secure environment for both lessors and lessees. Reforms should clarify that formal leasing does not confer permanent ownership rights on tenants.

2. Digital Land Records and Lease Registration

The Digital India Land Records Modernization Programme (DILRMP) should be accelerated to ensure all agricultural land parcels have updated, tamper-proof digital records. Online, low-cost lease registration mechanisms should be established.

3. Tenant Farmer Certification

States should introduce 'Cultivator Certificates' or lease-based farmer ID cards allowing tenant farmers to access credit, insurance, and government schemes without jeopardizing the landlord's title.

4. Awareness Campaigns

Agricultural extension services and Krishi Vigyan Kendras (KVKs) should conduct awareness programs on formal leasing, tenant rights, and registration procedures at the gram panchayat level.

5. Special Provisions for Women and Marginalized Groups

Leasing frameworks should include affirmative provisions ensuring that women cultivators, Dalits, and tribal communities can access and formalize leases, with simplified documentation and dedicated support services.

Conclusion

Agricultural land leasing, if properly regulated and formalized, has transformative potential for India's rural economy. It can enhance land productivity, increase farmer incomes, improve financial inclusion, and reduce rural poverty—without requiring the politically contentious redistribution of land ownership.

The challenge lies in moving from restrictive, outdated tenancy laws to a progressive framework that protects both landowners and tenant farmers. With the Model Agricultural Land Leasing Act as a blueprint, digital land records as a foundation, and strong political will as the driver, India can unlock millions of hectares of underutilized agricultural land and bring crores of informal tenant farmers into the formal economy.

Key Takeaway

Formalizing agricultural land leasing is not just a legal reform—it is an economic imperative that can empower millions of tenant farmers, optimize land use, and drive inclusive agricultural growth across rural India.

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