



## ASTUDY ON TENURIAL CONTRACTS, CREDIT AND MARKET LINKAGES

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ABSTRACT

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Tenant farming is an agricultural production system in which a tenant farmer traditionally refers to a farmer who does not own the land that he lives on and works, but rather it is owned by a landlord. Generally, the landlord contributes the land, capital, and management, while the tenants contribute their labor, and possibly some capital. A study on tenurial contracts credit and market linkages was conducted in Nellore district of Andhra Pradesh. Both primary and secondary data was collected. At all India level, 3.26 per cent households reported leased-out land and 13.65 per cent households reported leased-in land. The highest percentage of leased-in households was reported in Andhra Pradesh (37.21%). The share of leasing in the area to the operational area has declined during the period of study from 10.6 per cent to 10.2 per cent in India. The lease out land under terms of lease for fixed money was 55 per cent in Andhra Pradesh. Under fixed produce the maximum area of the leased out land was 34 per cent and under share of produce as terms of lease registered was less which was 3 per cent. In the study area 64 per cent of the tenant farmers took loans from the money lenders which showed dependence of tenant farmers on the Non-institutional sources for agricultural credit. Around 29 per cent of tenant cultivars were able to meet their farming expenses from their owned farms.

**KEY WORDS:**Tenurial contracts, credit, market linkages, institutional sources.

### INTRODUCTION:

India has a vast network of financial institutions, with the co-existence of dual i.e., formal and informal financial systems that both operate in the rural credit market. A large number of formal and informal agencies lend money to farmers for their short- and long-term needs. The formal agencies include Cooperatives, Regional Rural Banks, Scheduled Commercial Banks and nonbanking financial institutions. The informal sources comprise money lenders, friends, relatives, traders/shopkeepers, employers, and others. The informal sector is characterized by highly personalized loan transactions, entailing flexibility in respect of loan amount, purpose, interest rate, collateral requirement, maturity periods etc. At the other end is the formal sector where the scale of operation is much larger, and loan terms are standardized. Internal bureaucratic procedures usually raise transaction costs in the formal sector to levels much above that in the informal sector.

### MATERIAL AND METHODS

The study was conducted in Nellore district of Andhra Pradesh state. Nellore is the one of leading districts of Andhra Pradesh state in tenant farming where 44390 tenant cultivators exist. The state level data on magnitude of tenancy were collected from NSSO reports, Besides, the data on tenurial contracts, credit sources of tenant farmers were collected by employing a well structured interview schedule.

### STATE WISE INCIDENCE OF TENANCY

A wide inter-state variation in the percentage of households reporting leased-in land during 2013 was observed from the Table No 1. Among the major states the highest percentage of leased-in households was reported in Andhra Pradesh (37.21%), and the lowest was reported in Jammu & Kashmir (3.03%). In case of households leasing out land, Karnataka (6.02%) registered the highest, closely followed by Haryana (5.48%). The state which revealed the lowest percentage of leased-out land among the major states was Jammu & Kashmir (0.52%). It was ob-

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leased-in per reporting household was more than 1.000 ha for the states of Madhya Pradesh, Punjab and Rajasthan. The lowest in this category was recorded for the state of Jammu & Kashmir where the average area leased-in per household was less than 0.1 ha.

**Table 1. State-wise incidence of tenancy**

S No	State/UT	Percentage of households reporting		Average area leased in per reporting household (ha)	Leased-in area as percent of total area owned
		leased-out land	leased-in land		
1	Andhra Pradesh	4.64	37.21	0.779	59.03
2	Assam	1.78	7.04	0.397	4.50
3	Bihar	3.11	18.72	0.395	30.71
4	Chhattisgarh	3.46	13.66	0.537	9.30
5	Gujarat	2.10	6.15	0.833	6.38
6	Haryana	5.48	12.94	0.963	16.38
7	Himachal Pradesh	4.91	21.17	0.102	5.47
8	Jammu & Kashmir	0.52	3.03	0.034	0.24
9	Jharkhand	2.64	5.90	0.178	2.18
10	Karnataka	6.02	8.64	0.687	6.99
11	Kerala	2.01	14.29	0.148	10.26
12	Madhya Pradesh	2.14	5.61	1.081	5.41
13	Maharashtra	0.90	8.41	0.383	3.60
14	Odisha	4.82	19.28	0.403	20.47
15	Punjab	5.25	15.77	1.157	29.10
16	Rajasthan	5.22	7.56	1.242	6.36
17	Tamil Nadu	1.91	13.16	0.400	15.03
18	Telangana	1.20	16.45	0.793	18.59
19	Uttar Pradesh	3.90	10.64	0.394	8.61
20	West Bengal	3.57	17.80	0.167	17.29
21	N E States	2.62	12.65	0.227	4.08
22	Group of UTs	1.00	27.53	0.282	54.52
23	all India	3.26	13.65	0.501	11.62

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### TRENDS IN PERCENTAGE DISTRIBUTION -OF LEASED-IN OPERATED AREA BY TERMS OF LEASE

Table 2. Gives the percentage distribution of leased-in area by various terms of lease. The percentage distribution of leased-in operated area under first three specific terms of lease are presented, and the rest are put together as 'others'. As apparent from the above table, fixed money (41.1%) was found to be the most prevalent practice of leasing land followed by share of produce (28.7%) and fixed produce (17.0%) (Kumar *et al.*, 2017)

**Table2. Trends in percentage distribution of leased-in operated area by terms of lease**

S No	Terms of lease	Percentage distribution of leased in operated area				
		1970-71	1981-82	1991-92	2002-03	2012-13
1	fixed money	15.4	10.9	19.0	29.5	41.1
2	fixed produce	11.6	6.3	14.5	20.3	17.0
3	share of produce	47.9	41.9	34.4	40.3	28.7
4	others	25.1	40.9	32.1	9.9	12.9
5	all terms	100	100	100	100	100

### PERCENTAGE DISTRIBUTION OF AREA LEASED-OUT BY TERMS OF LEASE

Table 3. Gives the percentage distribution of area leased-out by terms of lease for all India and Andhra Pradesh. The percentage distributions of leased-out area over the first three specific terms of lease are given, and the rest has been put together as others. it is observed that the all India level, more than three-fourth of area leased-out land

was covered jointly by share of produce, fixed money and fixed produce, the maximum area being covered by share of produce *i.e.* 38 per cent. It was seen that the lease out land under terms of lease for fixed money was 55 per cent in Andhra Pradesh. Under fixed produce the maximum area of the leased out land was 34 per cent and under share of produce as terms of lease registered was less which was 3 per cent (Rai *et al.*, 2000)

**Table 3. Percentage distribution of area leased-out by terms of lease**

S. No	Terms of lease	All India	Andhra Pradesh
1	Fixed money	28	55
2	Fixed produce	12	34
3	Share of produce	38	3
4	Other	22	8
5	Any term of lease	100	100

## TENURIAL CONTRACTS IN THE STUDY AREA

The most important and widely used tenurial practice in the study area was fixed rent (in cash). The tenant farmers make the cash payments after harvesting the produce. The average rental values in the study area is presented crop wise and season wise in Table 4.

The average rental values in fixed cash payments were ₹22500, ₹16250, ₹ 5000 per hectare for paddy, groundnut and blackgram respectively during *kharif*

season. The same for the corresponding crops in the *rabi* season were ₹ 27500, ₹ 20000, ₹ 5000 per hectare. The rent of land for *rabi* crops was higher than that of *kharif* crops. This might be due to differences in the yields of crops between *kharif* and *rabi* seasons.

**Table 4. Nature of lease arrangements and terms of tenancy (in rupees per hectare)**

S. No	Crop	Rental fee (Rs)	
		Kharif	Rabi
1	Paddy	22,500	27,500
2	Ground nut	16,250	20,000
3	Black gam	-	5,000

## TENANCY-CREDIT RELATIONSHIPS

Most of the tenant farmers in the study area took credit from money lenders (Non -institutional sources) though the rate of interest was much higher than the institutional agencies because the bankers are not interested to provide loans to the landless farmers who had taken the land for lease due to proper security problem and also the period of tenancy agreement. The land owners were not interested in giving their passbooks to the tenant farmers because of legal problems. Also most of the owner farmers availed credit from the banks with the passbooks as their security. The sources from which tenant respondents availed credit are presented in Table 5.

It is clear from the table that 40.47 per cent owner cum tenant farmers are not borrowing credit from institutional or from non-institutional agencies. They used their own farms in the organization of farm business. Banks or Money lenders forms the sources of credit for 28.57 and 30.95 per cent of owner cum tenant cultivars respectively. It is important to note that over 6.89 per cent of tenant farmers availed credit from the banks. This emphasized the fact that the institutional agencies are

notinterested in providing agricultural credit to the tenantfarmers and thereby forcing them to depend on Non- institutional agencies. It is also clear from the study that 64 per cent of the tenant farmers took loans from the money lenders which show dependence of tenant farmers on the Non–institutional sources for agricultural credit. Around 29 per cent of tenant cultivars were able to meet their farming expenses from their owned farms (Laha and Kuri, 2013).

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**Table 5 Credit sources of sample farmers**

Farmers	Banks	Private money lenders	Non-borrowers	Total
Owner cum Tenant farmers	12 (28.57)	13 (30.95)	17 (40.47)	42
Tenant farmers	4 (6.89)	37 (63.79)	17 (29.31)	58

Note: Figures in parentheses indicate percentage to the total.

### CONCLUSION

About 63.79 per cent of the tenant farmers borrowed from non-institutional sources highlighting the fact that institutional agencies are not interested in providing farm credit to the tenant farmers and there by forcing them to depend on non-institutional agencies 40.47 per cent of the owner cum tenant cultivators didn't borrow from either institutional or non-institutional sources they used their own finances in the organization of farm business. Tenant cultivars depended much on non-institutional sources like money lenders for their farm credit. Fixed rent in terms of cash was the most common tenurial practice followed in the study area.

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