

# Land acquisition: Balancing agricultural growth and industry

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*The International Growth Centre debates the impact of India's small landholdings on agricultural productivity and profitability.*

The International Growth Centre's (IGC) inaugural [South Asia Growth Conference](#), which was held in Dhaka on July 15-16, began with a reflection on the challenges that the region faces in maintaining its current growth trajectory. Many obstacles to sustainable growth are shared by India, Pakistan and Bangladesh, with poverty, regional integration and environmental degradation at the forefront of many South Asian policymakers' minds. For India, however, questions about land acquisition policies dominate discussions on how to balance agricultural growth with efforts to industrialise the rural landscape.

Land acquisition has long been an issue for a hungry yet growth-oriented India. In 2006, West Bengal's Left Front government, under pressure to expand non-agricultural employment and promote private sector investment, permitted Tata Motors to manufacture its Nano car in Singur. But widespread protests by displaced farmers, activists and opposition parties against West Bengal's forcible land acquisition strategy for the project resulted in Tata's decision to relocate its factory to Gujarat in 2008. This example shows that India, like many developing countries with extensive rural areas, faces a dilemma between industrialising and protecting its agricultural sector and those it employs.



The main debate revolves around whether small or large farms are better suited to deliver this balance. Nowhere in the world are farms as small as they are in India, with most averaging just one acre in size. Speaking at the IGC South Asia Growth Conference, Brown University's Andrew Foster explained that labour use is one of the key things that needs to be considered in terms of yield and profit: small farms utilise almost five times as much labour per acre than large farms, which obviously has impacts on productivity and profitability.

It also doesn't help that land transactions in India are extraordinarily rare—only 4.6 per cent of cultivated plots are rented, and of those 72 per cent are from parents or siblings. In short, India's land markets are not working in a way that would increase productivity.

Further, [Dilip Mookherjee](#), IGC's Lead Academic for the [India Central programme](#), pointed out that although 70 per cent of Indians live in rural areas, many are not engaged in agricultural work. Still, many landowners remain reluctant to sell their small landholdings as they embody a personal as well as financial value. Mookherjee argued that market values treat land as a financial asset alone and understate personal valuations of land, as a result of which the demand for land remains unfulfilled, despite heavy-handed tactics by some state governments. Mookherjee recommended that compensation for land purchases in West Bengal should exceed market valuations to reflect personal valuations and also suggested that authorities should simultaneously seek to moderate excessive land acquisition on grounds of efficiency, equity and political sustainability.

Ultimately, state governments will also have to address the fact that those households whose land had been acquired for alternative development such as factory construction became significantly worse off, with incomes 33 per cent lower than those whose plots had not been acquired.

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