

Land pooling can ease doing of business

The model, as seen in Amravati, can be replicated. Owners can be promised project equity in exchange for the land

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The disruption in global supply chains centred around China, clubbed with the worsening global sentiment against it, has prompted numerous firms to explore options to diversify production to other countries. The Indian government, in a bid to capture this outflow, has announced several measures, including the creation of a pan-India land bank of nearly 4,60,000 hectares.

Recent years have seen the priority given to land (especially outside agriculture) in policy and economic discourse diminish. This trend is troubling in the least, given that the trifecta of 'land, labour and capital' are universally accepted to be the principal drivers of economic growth and prosperity. This is all the more important for India, a country at the initial stages of industrialisation, where growth tends to be primarily factor-driven rather than efficiency-driven like in advanced economies. Evidence from China shows that the contribution of land to economic growth during 2001-2009, the period of its largest expan-

sion, was a staggering 26.07 per cent.

In India, however, land constitutes a significant bottleneck to development. Issues range from poor land records to the prevalence of black money in the sale of land. Land acquisition is additionally mired with hold-out problems and frequent litigation that can drag on for years. As a result, often large projects like Tata Motors' in Singur (West Bengal) get cancelled due to land issues. Thus, there is an urgent need to address these issues in order to attract investment.

Land banks

Land banks recently gained popularity as a way to overcome these problems. As the name suggests, they are an inventory of unused or vacant government land, which industries can buy. Land banks enhance the ease of doing business as industries no longer have to interact with hundreds and thousands of landowners but just a single entity, the government. Further, the availability of all associated permits and the near absence of land litigation would help reduce cost overruns, decreasing the risk of project cancellations (and the



Land issues leave projects unfinished

corporate bankruptcy that follows). It would also allow for better utilisation of unused government land, including that in notified SEZs, which has about 52 per cent of vacant land. Thus, land banks serve the dual purpose of enhancing land-use efficiency while boosting investor sentiment.

However, such land banks offer a one-time solution as continually finding new vacant lands is difficult. Moreover, some projects require lands in particular areas which, if unavailable, will circle back to the problem of land acquisition. Further, many State governments have begun adding village common grounds to these banks (as these technically be-

long to the State), jeopardising the livelihoods of locals dependent on them. Hence, there is an urgent need to rethink the manner of land acquisition in India.

Investment opportunity

Since Independence, land has often been viewed as a zero-sum game, where one entity can only benefit at the detriment of another. Instead, the goal must be to align the interests of the parties, ie the landowners, with those of the developers or industries. The type of land pooling undertaken for the development of Amravati in Andhra Pradesh holds potential. Here, government procured 13,000 hectares of land from 25,000 farmers in exchange for a smaller portion of developed land, which would be worth at least as much as it was before.

This idea could be replicated with industries. Landowners could be promised a share in the ownership, ie equity, in exchange for land. Consequently, landowners would not be selling their lands but rather investing them, thus making them partners in the venture. This model has been implemented in Magarpatta,

near Pune, where the farmers who invested their lands for development continue to earn dividends.

Such mechanisms not only keep the project viable as there is no cost incurred until its completion but also ensure that the landowners have a direct interest in seeing the project succeed, as their returns are linked to it. This also allows the gains from industrialisation to percolate equitably to the landowners, who otherwise tend to be exploited. However, this mechanism must include some rehabilitation to dependents on the land, like tenant farmers, labourers, etc either through jobs, payments or even shares of the venture itself.

Thus, cooperative processes that treat land as an investment, much like capital, rather than a mere input in industries hold the key to a sustainable land solution in India. Given that land is a State subject, incentives must be provided to States to promote such practice, thus enabling a spirit of competitive as well as co-operative federalism.

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