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Research Article

A METHODOLOGY FOR THE PREDICTION OF VALUATION DURING LAND ACQUISITION PROCESS – RING ROAD PROJECT AT ERODE

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ABSTRACT

The key challenges to built public facilities and infrastructure towards sustainable development requires government to enhance the interests of the natural environment. In some regions the process of providing such services is the acquisition of appropriate land. For major projects, several locations could be suitable for such purposes and the government may not be able to purchase the land. In order to obtain land when and where it is needed, Government has the power of compulsory acquisition. Land acquisition was a challenging factor in India for project development. The process and techniques adopted in various countries are reviewed critically and it was observed that no single best practise exists, for land acquisition is available. However, in Vietnam, land for land approach is followed majorly based on the willing of the land owners. To study the land acquisition process followed in India, outer ring road formation at Erode, Tamilnadu was taken as a case study. The formation of ring road was taken up by Tamilnadu government, it crosses nearly twelve villages. To identify the problems a detail questionnaire was framed by considering Social, Environmental and Economical as the key aspects. The current practices can be slightly modified by considering the important factors which will improve living standards of the people.

INTRODUCTION

Every part of India is a clear display of increasing population. In all the places like metro station, airport, railway station, bus stop, hospital, shopping mall and temple or even in a social gathering the crowd was very high. This is a clear indication of overpopulation in our country. To meet the challenges of this population growth, India needs the integrated infrastructure development. Infrastructure refers to the fundamental facilities serving the country including the services and facilities necessary for its economic development. It typically characterises technical structures such as roads, bridges, tunnels, water supply, sewers and these all can be defined as the physical components of interrelated systems providing commodities to sustain a proper living conditions. Roads are considered to be one of the most cost effective and preferred modes of transportation. It is easily available and accessible to all the sections of the society. It facilitates the movement of both men and materials from one place to another within a country. It helps to bring about national integration as well as provide for country's overall socio-economic development. Hence, an efficient and well-established road network is inevitable for promoting trade and commerce as well as meeting the needs of a sound transportation system in the country. One of the significant challenges in achieving the infrastructure goal is the way land acquisition is done for infrastructure projects. Compensation fixed in terms of registered value is always the bone of contention. There is always a substantial difference between the compensation offered and the actual value of the land. Land acquisition is one of the major problems in our country due to its tough regulations and complexities (Arul vikram *et.al*, 2015). So a clear framework is needed for the welfare of both the public and government.

The Land Acquisition Act, 1894 is a British law governed the process of land acquisition in India until 2013. It allows the acquisition of land for public purpose by the government agency form individual landowners after paying a government determined compensation to cover losses incurred by landowners from surrendering their land to the government. The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (also Land Acquisition Act, 2013) is an Act of Indian Parliament that regulates land acquisition and lays down the procedure and rules for granting compensation, rehabilitation and resettlement to the affected persons in India. The Act has provisions to provide fair compensation to those whose land is taken away, brings transparency to the process of acquisition of land to set

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up factories or buildings, infrastructural projects and assures rehabilitation of those affected. The Act establishes regulations for land acquisition as a part of India's massive industrialisation driven by public-private partnership. Comparative method was widely followed in India for all types of lands. In this method, the various transactions of nearby lands are properly studied and then a fair rate of land under consideration is decided. Thus, the comparative method will be useful only in case of an active market where there are large numbers of statistics available for comparison. The Valuer has to satisfy himself after a thorough inspection of all the underlying factors in the market that there have been no changes in conditions since the transaction took place. The element of time plays a vital role in this method. In case of volatile markets, it is found that within a very short interval of time, the evidence of sale chosen for comparison becomes unreliable. Following factors are to be taken into account while making analysis using comparative method such as Location, Size, Shape, Frontage and depth, Return frontage, Level, Nature of soil, Land-locked land, Restriction on development, Encumbrances, Miscellaneous advantages.

Due to improper land acquisition framework and valuation process there was a large delay in the public projects that affects the development of our country. The amendments to the Land Acquisition Act (Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act) are being touted by many in the Government as a game changer in triggering growth. It is also being publicized that Land Acquisition has been stalling projects and hindering growth & investments.

804 projects that are stalled across 24 States and two UTs for variety of reasons. Maharashtra with 125 stalled projects topped the list followed by Gujarat (63 projects), West Bengal (55 projects), Karnataka (52 projects) and Telangana (52) making the rest of the top 5. Figure 1 shows the status of stalled projects due to land acquisition in India (Economic survey 2014-2015). Out of the stalled projects, 78% are Private Sector projects while 22% are by the Public Sector (like Central/State governments, PSUs etc).

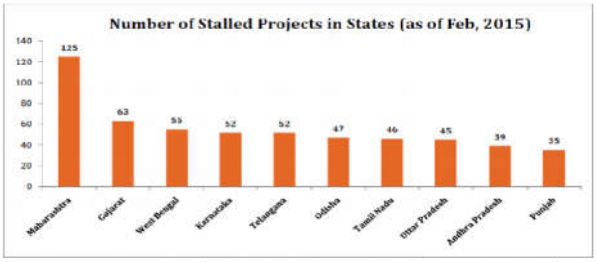

Figure 1 Status of stalled projects due to land acquisition in India

(Source: RTI reply from Ministry of Finance & Data Analysis by Venkatesh Nayak)

According to the data provided by Ministry of Finance in reply to an RTI (Right to Information) application, only 8% or 66 of the 804 projects are stalled due to Land Acquisition related problems. In other words, not even one in ten projects is stalled because of problems related to Land Acquisition. The data is in complete contradiction with what the advocates of the Land Acquisition ordinance have been saying, that the land acquisition process is holding up a lot of projects and hindering growth/investments. About 39% of the projects have stalled due to unfavourable market conditions or lack of funds or raw material or fuel supply problems. The list mentions the reason as 'Others' for 19% of the projects while no reason is available for 15% of the projects. In other words, we do not know the reason for 34% of the stalled projects. So, it shows that Land Acquisition is the biggest issue in our country. Only 4.2% of the stalled projects were pending because of environmental clearances whereas lack of clearance from the State Governments amount to 11.8% of the total. In other words, only 16% of the projects are stalled because of regulatory clearances. Apart from these, there are other reasons like natural calamity etc for about the remaining 3% projects. Figure 2 represents the major reasons for stalling projects in India.

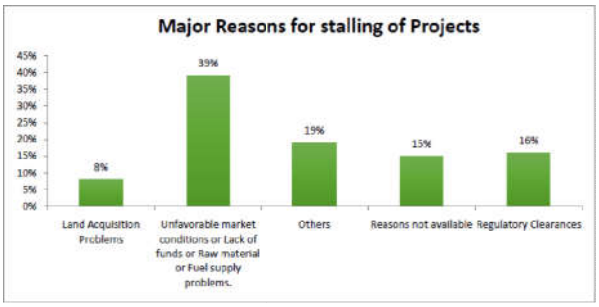

Figure 2 Reasons for stalling of projects in India

(Source: RTI reply from Ministry of Finance & Data Analysis by Venkatesh Nayak)

So a proper land acquisition framework and valuation procedure is required not only for the welfare of the people but also to reduce the delay of the government projects.

Land acquisition remains at the centre of many controversies and public policy paralysis in India. There are very few public policy issues in India that rival land acquisition in terms of its complexity, challenges and significance to country's growth and transition to more urbanised and industrialised status. The present study highlights the compensation procedure for land acquisition and challenges in the process of land acquisition procedures in formation of ring road at Erode, Tamil Nadu, India. Further, the information obtained from the study will be useful for the local people, public works departments and other non governmental agencies to understand the current issues of land acquisition policies with proper solutions to publics through prompt compensation towards increasing the standard of living. The main objectives of the study are:

- To study the compensation procedure for land acquisition followed in various countries.
- To identify the best practice adopted during land acquisition for infrastructural development.
- To study the land acquisition procedure adopted in India.
- To examine the challenges in the process of the land acquisition procedures adopted in construction of ring road at Erode.
- To make recommendations that will enhance the process and procedures for prompt compensation to the public in an effective manner to increase their standard of living.
- To develop a model for computation of land value.

LITERATURE REVIEW

Inadequate compensation was a major challenge which normally causes delays in implementation of Government projects as landowners appeal the compensation awarded to them. In countries like Indonesia (Obidzinski, 2013), Nigeria (Iroaganachi *et.al*, 2012) and India (Nandal, 2014) based on the public opinion the Land acquisition was carried out and compensation were provided to the affected people. Compulsory acquisition is carried out in various countries like Malaysia (Alias *et.al*, 2001), Bangladesh (Atahar *et.al*, 2013) for their infrastructural development. In Trinidad & Tobago, the compensation is provided after the completion of the Government project only (Huggins E *et.al*, 2013).

In Slovenia based on the demand and supply principle and three approaches compensation is provided to the land owners (Sumrada R *et.al*, 2013). In Mali, the Government compares the guideline value and market value; they will prefer win-win situations as it would benefit both the public and Government (Nolte *et.al*, 2014). In Nanjing, both monetary compensation and property exchange is followed based on the area acquired by them. In Vietnam, Land for Land approach is followed majorly based on the willing of land owners (Ty P H *et.al*, 2013). In India compulsory acquisition was followed before the amendment of LARR bill and now it was revised for the defence, railway purposes but it was not able to pass due to the lack of majority in the Rajya Sabha by the present Government (Murali *et.al*, 2016). In calculating compensation amount valuers use market value without taking into consideration the concept of highest and best use.

There is need for the concept to be considered when calculating market value to minimize appeals of compensation by landowners. An open and reliable real property sale price register must be available to all parties. Currently data available in the land registry is distorted because land owners always quote low figures to evade payment of stamp duty. When it is correctly quoted it is very difficult for landowners to access them because of Government bureaucracy. Government has to take charge of research of land price information, price factors and their effects on land prices. It is necessary to organise valuation studies and research in Universities for valuers and supporting experts. Government has to have a leading role to make research and develop valuation issues related to compensation. Strict measures should be taken to avoid manipulation of data by private valuers in collaboration with landowners and Government valuers with the aim of getting higher compensation.

Study Area

With a view to minimise the heavy traffic congestion in Erode Town and to have a free flow of traffic, Government have accorded sanction for Rs. 22 Crore towards land acquisition for the formation of a ring road from Kokkarayanpettai to Thindal to a length of 14.80 km and seven-metres in width passing through 12 villages. The formation of outer ring road is passing through various highways such as SH 98, SH 84, SH 84A, SH 83A, SH 96, SH 173, SH 15, SH 20, NH 47 and other major district roads. The overall formation of outer ring road map is presented in Figure 3.

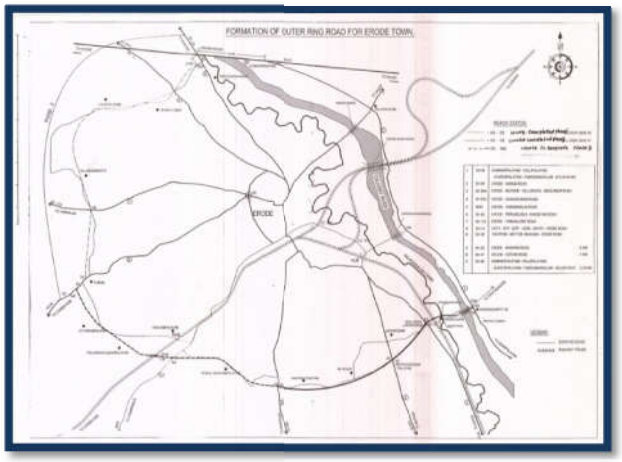

Figure 3 Formation of outer ring road

Preparation of Questionnaire

Two types of questionnaires were prepared based on the various constraints observed during the land acquisition process for the formation of outer ring road. Out of two type's questionnaire, one for the expert groups around that area and another for the affected public. These questions were prepared based on three factors as follows:

- Social factor
- Economic factor
- Environmental factor

The social factor consists of various key points like awareness about the proposed ring road project, cultural and social life of people, public opinion and participation, awareness about the government acts and procedures regarding land acquisition process. The economic factor consists of various key points like economic conditions of the affected people, compensation methods and equitable accommodation. The environmental factor consists of the key points regarding environmental pollution around the planned area due to the ring road project. There are different types of questionnaires possible and the format of questionnaire depends entirely on what information is to be extracted from respondents. Open format questions, matrix questions, closed format questions, likert questions were the type of questions included in the questionnaire.

CONCLUSION

Regulations should be specific enough to provide clear valuation guidelines, but flexible enough to allow room to determine equivalent compensation in all situations. The government should bring awareness to the public about the formation of outer ring road and so that road will be widely used by them. The opinion also should be asked from the affected public. The lack of funds also should be considered mainly because in many cases the government providing compensation very later. Already the public affected due to acquisition, at least the government should provide the compensation as quick as possible to the public. The environmental impact assessment should be taken and based on that alignment should be carried out; it was to reduce the pollution around that area. These social, economic and environmental factors should be considered for fixing the proper framework in this ring road project. The acquiring agency should take steps to ensure that there are a sufficient

number of independent valuers and advocates to help people to assess their compensation claims. The land acquisition acts practised in few countries provides a clear framework in which the current market value has been given as compensation which was not followed in many developed/developing countries. In spite of all, the major governing factor for the prediction of future land value is missing in the policies and framework. The policy makers should consider the welfare of public when framing the compensation acts during land acquisition.

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