Chapter 1

Introduction

Lady Bracknell: What between the duties expected of one during one's life and the duties exacted from one after one's death, land has ceased to be either a profit or a pleasure. It gives one position and prevents one from keeping it up. That is all that can be said about land.

The Importance of Being Earnest Act I

Economics has sometimes been described as the science of satisfying the greatest amount of wants given the scarce resources available. Of all economic resources, land perhaps conforms most closely to the concept of scarcity (Lewis, 1979). Urban land is a scarce resource that without adequate control quickly rises in value to the point where its purchase is difficult. Problems relating to urban land values are associated with urbanization process. Increasing pressure of population in a limited land area is one of the explanations for the increasing deterioration in
living standards and quality of the environment. An expanding urban economy attracts migrants and new enterprises who compete for scarce urban land in different ways. Consequently, this leads to many socio-economic problems such as urban poverty, homelessness, improper solid waste disposal and urban land crisis. Policy makers seldom attach adequate importance to land market problem, which is fast becoming a very serious issue in India and other developing countries.

Over the last one decade, there has been a phenomenal increase in land values over and above the inflation rate. Urban land values witnessed a spurt after the 1980s. Many a reason is attributed for continuous rise in values at an exponential rate. Some of the factors are common across different urban centers while certain others are unique to a few metropolitan cities. In addition to the factors responsible for the rise in values, the change in the land use pattern is also an important issue to reckon with as a corollary effect of price rise.

A noticeable change in the land use pattern especially in the suburban and fringe areas is that cultivable lands are being converted for human habitation, though it can not be construed immediately that the total agricultural yield has come down. However, this phenomenon may have certain positive and negative effects in the course of time. It becomes important therefore, to take stock of the
change in land use pattern, along with the magnitude of increase in land values in the backdrop of urbanization. The urban land policy is an important component in the process of public policy making. One of the key ideas resulting from the United Conference on Human Settlements, Vancouver (1976) that is embodied in the preamble to the recommendations for National Action on Land: read as follows, “Land, because of its unique nature and the crucial role it plays in human settlement, cannot be treated as an ordinary assets controlled by individuals and subject to the pressures and inefficiencies of the market.” Escalating urban land values may be an inevitable side effect in the economic growth of the country.

Urban land economics has received much attention among economists, today. This has given recognition to land as one of the factors of production. It could be viewed in terms of an economic use of the resources of earth on the basis of physical, biological and economic factors besides the institutional factors that affect the condition and control the use of these resources. According to David Ricardo the agricultural land as the ‘indestructible powers of the soil’, on the other hand, urbanization leads to an increasing demand for urban land in a city. Thus, urban land may be called the location power of the soil. It could be held that urban land is one of the factors of production. Thus, land economics deals with the utilization of land and man to man relations of natural resources pioneers have
defined land economics as that division of economics, theoretical and applied which is categorized with the land as an economic concept and with the economic relationships which grow out of land as property.

The property rights of land have been estimated as valuable treasures by mankind among all properties. Land has continued to hold greater attention of human beings till today. These inherent values affect man’s behavioral factors like, custom, habits, production, consumption and distribution, and the non-behavioral factors such as nature of inherited government, taxation, credit, consumption and monopoly which are related to socio-economic institutions that affect significantly the land use pattern and thereby consequently on land values. These are factors which are more influenced by urban land property. If a piece of land should have not inherited these factors, the land may not be property value in urban areas. There is a positive relation between land uses and land values and many urban economists have empirically studied this relationship. The present study too pertains to the positive relation between land use and land values.

Urban functions of land usually occupy relatively much less space. But considering commercially in manufacturing and residential uses, this factor becomes important in view of its scarcity in the changing environment. The term
land had different meanings to different people depending upon their outlook and of the circumstances. For instance, a farmer might conceive of land as the soil that he cultivates, a city dweller may think of land in terms of residential plot or factory site.

Generally, the urban land use pattern derives its value from the use of the site for buildings and depending on its shape and size, it can be put to residential, industrial or to many other public uses. The use determined is on the basis of physical characteristics of urban land that influence its economic behavior and correspondingly each pattern of land use deserves specific land value (Ratcliff, 1949:18-35). The urban land use patterns decide the land value. The land may be located at commercial and mixed residential or at primarily residential areas. These land uses are derived from the site of buildings and other improvements in the city. Thus, the urban land use is determined on the physical characteristics of any city in the world.

Urbanization shows that urban land is highly valuable in the sense of its ever increasing demand for space. This standing room or extension, building stores, or office banks or park and yield tangible and intangible services to people. Further, it is highlighted that land is valuable in the sense of it original and
indestructible powers. Urbanization is one of the important factors for the increasing demand for land.

Land is one of the natural resources of a nation and serves as the basis of human settlements. The rapid growth in population and the process of urbanization have resulted in an increasing demand for the land in urban settlements. Urban land use and land values are important for a sustainable environment system in urban areas. Land use is an instrument of urban planning regulation that may also facilitate macro environment regulation in broad sense. A city grows not because of population increase or intrinsic geographic features but the economics of land use that underpins it growth. The urban land plays a vital role in determining the urban economic growth of any city. Hence, the government planners should pay attention the ever increasing urban land values in cities.

The problem of shortage of land is accentuated by the rising land prices in almost all cities. The U. N. Habitat Conference (1976) has identified the sharply rising urban land problems facing the developing countries in the urbanization process. The unrealistically high land values have, on the one hand deprived the ordinary person, and particularly the poor section, of the ability to pay for the land, and have pushed up the cost of providing urban services to the people on the other.
The root cause for many of the urban economic problems particularly in metropolitan cities, is land. The demand for urban land is increasing as the requirements of civilized life keep growing for housing, for educational institutions, for government offices, for commercial activities, for life's requirement as well as for socio-economic development. Hence, the cities are getting more and more congested with rising densities of population.

This phenomenon has resulted in a situation of the most desirable space being used by poorer social groups. The inability of the poor to find adequate shelter, the uncertainties of tenure, the proliferation of slums, the legal complexities of land rights, the transition of agricultural land use to urban land, all raise questions which are crucial to the planning and management of urban growth in Third World Cities (United Nations Human Settlements. 1977).

Such complex problems of the urban land market inevitably require Government's intervention. Such interventions are devised on the basis of a set of measures aimed at achieving the goals formulated by public authorities. These goals and measures are usually termed as urban land policy. The basic goal of an urban land policy is to achieve optimal utilization of land within the socio-economic objectives of the overall urban development policy. Any public policy must formulate objectives and describe the instruments through which those
objectives are to be achieved. As diverse factors -geographical, social, economic, legal -affect land use, land policies are expected to achieve a variety of objectives. (i) an appropriate supply of urban land for community as well as productive activities; (ii) harmonious urban spatial patterns that minimize the use of resources relative to economic and social benefits; (iii) greater equity in wealth and income, including access by low income families to adequate shelter; (iv) a spatial distribution of population and activities at regional and national levels consistent with general national priorities (World Bank, 1983).

Although extensive studies have been done on the subject of urbanization, urban lands have not been systematically examined. As the World Bank aptly puts it, “The subject is poor in accepted theory and in rich controversy” (World Bank, 1973). Non-availability of secondary data and difficulties in organising field survey at multiple time points have restricted the scholars and organization to one point analysis.

The general trend in thinking as reflected in the enunciation of land policy in the first, second, third, fourth and fifth five year plans as well as in the reports and recommendations of several committees appointed to consider Urban Land Policy on a priori grounds without any study of land markets. Urban land market however has complex characteristics which make such hard and fast conclusion
very different. A systematic inquiry is essential to understand the existing situation of land market in urban areas.

The present study seeks to investigate the cause for fluctuations in land value and the factors influencing land market in Tiruchirappalli Urban Agglomeration. The study also attempts to show that the linking of land values with land policy is inevitable.

1.1 Need for the Study

The shortage of developed land in urban areas and the problems posed by increasing demand on its use by many competing activities require systematic planning and management of urban land within the framework of a well-defined urban policy. Such a policy should be based on a careful analysis of the various forces that influence the use of land by different activity systems in urban areas.

In India, the first attempt to study the urban land problem was made by the Committee on Urban Land Policy constituted by the Government of India. The Report of this Committee (Government of India, 1965) contains a lucid analysis of the urban land problems and recommendations to overcome them. Due to lack of land value data, the Committee could not give a comprehensive statement about urban problems in Indian cities.
At the international level, the United Nations and the World Bank have made efforts to deal comprehensively with the subject. Urban Land Policies and Land Use Control Measures (UN, 1973) deal with particular reference to specific countries including Asian countries. The World Bank brought out many staff working papers on urban land policy issues and opportunities. These papers contain an analysis of the different issues relating to urban land, viz., value of the land, land registration and instruments through which Government intervention takes place but, we could find nothing regarding how to arrest the fabulous increasing land price in the Third World countries. After 1980s, The Planning Commission formulated , The Task Force on Housing and Urban Development.” It also examined the issues in urban land policy in India with special reference to the experience of the Development Authority.

The literature on the subject of urban land policy is limited mostly to studies on certain issues like land use, land acquisition and land ceiling. There is not a comprehensive analysis of the contents of policy statements laid down from time to time, the measures adopted to implement the polices and their effects on the urban land market in total perspective of the operation of urban land policy in the Indian context has not been made. Nevertheless, the present study is an attempt to evaluate the urban land market operation in the residential areas, magnitude of
urban land value and the conversion of agriculture lands in Tiruchirappalli Urban Agglomeration (TUA).

1.2 Statement of the Problem

The present study attempts to evaluate the urban land value and its spatial variation in Tiruchirappalli Urban Agglomeration, Tamil Nadu. It has been found in the study area also that the increase in urbanization demands more urban land to accommodate shops, factories, educational institutions, lodges and hotels, offices, theaters and new residential areas. This growing demand for urban land space against its inelastic supply tends to influence the value of urban land. This leads to conversion of agriculture land into urban human habitation. The interaction of location factors like, proximity to market, distance from residence to place of work and the structural factors relating to the type of houses, designs of building, is apparently influencing the land values in the study area and hence an analysis of much specific problems becomes necessary.

The growth of urban agglomerations is influenced by economic and non-economic factors. There is a need to examine the extent to which the above factors have influenced land values in Tiruchirappalli Urban Agglomeration, and there is a dearth of empirical study in this area. Urban land markets have complex
characteristics, a systematic inquiry is essential to probe into certain issues connected to land values and land use pattern.

This study makes an attempt to examine the various factors that influence urban land value and the reasons for the prevalence of high land values and to analyze the fluctuation in urban land values during the last decade. The land use patterns and land values do vary from time to time, as the land values are fluctuating year after year. The pattern of fluctuation in land values is not uniform throughout Tiruchirappalli Urban Agglomeration. It varies from primary residential to mixed residential and too commercial area.

1.3 Objectives

The specific objectives are in order:

1. To find out the spatial variation effected in urban land values in urban agglomeration in residential and commercial areas.

2. To analyze the socio-economic factors influencing urban land values in residential areas.

3. To study the land use pattern in urban area in the light of conversion of agricultural land for the purpose of urban human habitation.
1.4 Hypotheses

These objectives present specific questions to be answered by the study. The answers depend largely on the hypotheses to be empirically verified.

1. The land values in Tiruchirappalli Urban Agglomeration shows a steady uptrend in the past decade;

2. There is need to distinguish between guideline value and market value in land uses;

3. There are a few major determinants for increasing land values in Tiruchirappalli Urban Agglomeration; and

4. Rising land value contributes to changes in the land use pattern; particularly the agricultural land being converted into urban human habitation.

1.5 Methodology

The source of data for this study is both secondary and primary in nature. There is no agency either private or public which can supply the official data on land values except the registration office. Though the officially registered price as prevailing, this source is resorted to, mainly to study the fluctuations of land values over a decade. The Sub-Registrar’s office has guideline values and it has different
values’ for the land in different localities in Tiruchirappalli Urban Agglomeration. Guideline values are revised from time to time by a special team of Registration staff comprising engineers, supervisors and architects. This revision is made with the help of previous sales statistics and through personal spot enquires. The present study takes into account the value in 1983-84 and 1993-94 and the recently revised value which came in to force from 1984-85.

However, Guideline values are strictly meant for Sub-Registrars for fixing stamp duty. The researcher with great difficulties managed to obtain permission from the Inspector of Registration in Chennai to get access to the original documents on land values. (See Appendix- I) Besides, information on this was sought from Urban Land Ceiling Commissioners and Deputy Thasiladars in the city of Tiruchirappalli. (See Appendix - II). This study involves collection of primary data from the real estate proprietors on land transaction and factors causing fluctuations in prices.

1.5.1 Data Source

The methodology adopted in this study is partly descriptive, partly evaluative and partially statistical. To gain an insight into the policy frame work, data were collected from the Government documents dealing with urban land problems like the reports of the committee on urban land policy (1965), the Task
Force on Housing policy (1985) and the National Commission on Urbanization (1988), the Urban Land Ceiling and Regulation Act (1976). Data relating to the study area of Tiruchirappalli Urban Agglomeration were collected from the following sources;

(i) The census documents data relating to area, population and demographic features, density and occupational patterns; (ii) The outline Government and comprehensive development plan; (iii) State Government publications like the Gazetteer of Tiruchirappalli District.

In order to understand the legal framework within which urban land policy operates a study of laws or acts passed by the state Legislature or parliament was undertaken. On certain crucial legal issues like payment of compensation when private property is acquired, the reports containing decision were also referred to.

Land use pattern has been studied primarily with reference to the two development plans of Tiruchirappalli Urban Agglomeration. One is the residential town country planning and second is the local planning.

The land use requirements determined by these plans under various categories like primary residential, mixed residential, commercial, industrial, etc. have been analyzed by making a comparative study of the existing and proposed land uses at different points of times in the study area. The Zoning regulations and
building by-laws have been analyzed by obtaining data from the Tiruchirappalli Regional Town and Country planning Tiruchirappalli (See Appendix- III). As for the urban land values in Tiruchirappalli Urban Agglomeration, data were collected from different sources: as indicated below,

(i) Market values for select locations were obtained as primary source from 80 real estate proprietors through interview schedule method (See Appendix - IV).

(ii) Guideline values (See Appendix-V) were taken as secondary source from the Government land documents of district office and sub- registrars offices in TUA, for the period for 1983-84 to 1993-94. Field survey was also carried out to know the locations characteristics of different localities chosen for survey numbers for the study with help of real estate properties.

1.5.2 Universe and sample

The universe of the study consists of the urban land values (1983-84 to 1993-94) in Tiruchirappalli Urban Agglomeration. The urban land values are defined into different land use patterns like, primary residential, mixed residential and commercial.

1) The primary residential total survey number was 4379

2) The mixed residential survey number was 29 538, and

3) The commercial survey number was 10 932.
The total survey numbers in TUA are 44,849. Out of total survey numbers 44,849, the researcher has selected 1200 survey numbers with 400 for each category using the random sampling technique with help of stratified random lottery method of every land uses in TUA.

These surveys along with their total number of survey (as Primary residential, mixed residential and commercial) constitute the sample frame of the study. Survey numbers are those reference numbers used in the sub-registrar's office for land use classification, commercial and industrial areas. Each plot is referred with a survey number after the plots being registered with the sub-registrar's office.

Table -1: Universe and Sample

<table>
<thead>
<tr>
<th>Land use classification</th>
<th>Total survey Numbers</th>
<th>TRYI</th>
<th>SRI</th>
<th>TUA villages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Residential</td>
<td>4379</td>
<td>0</td>
<td>313</td>
<td>3986</td>
</tr>
<tr>
<td>Mixed Residential</td>
<td>29538</td>
<td>24820</td>
<td>4383</td>
<td>0</td>
</tr>
<tr>
<td>Commercial area</td>
<td>10932</td>
<td>9453</td>
<td>1382</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>44,849</td>
<td>34273</td>
<td>6078</td>
<td>3986</td>
</tr>
</tbody>
</table>
Table –2: Areas wise distribution of samples

<table>
<thead>
<tr>
<th>Land use Classification</th>
<th>TRY</th>
<th>SRI</th>
<th>G.Rock</th>
<th>TUA villages</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Residential</td>
<td>0</td>
<td>32</td>
<td>8</td>
<td>360</td>
<td>400</td>
</tr>
<tr>
<td>Mixed Residential</td>
<td>338</td>
<td>58</td>
<td>4</td>
<td>0</td>
<td>400</td>
</tr>
<tr>
<td>Commercial area</td>
<td>345</td>
<td>52</td>
<td>3</td>
<td>0</td>
<td>400</td>
</tr>
<tr>
<td>Total</td>
<td>683</td>
<td>142</td>
<td>15</td>
<td>360</td>
<td>1200</td>
</tr>
</tbody>
</table>

Note: TRY: Tiruchirappalli Municipality
SRI: Srirangam Municipality
G.Rock: Golden Rock Municipality
TUA: Tiruchirappalli Urban Agglomeration Villages.

1.5.3 Tools of Analysis

Analysis of data included tools such as hypothesis testing, time series trend lines. Appropriate deflators were used by using wholesale consumer price index to analyze the extent of hike in land values. Analysis before and after adjusting for inflation is made with the help of wholesale consumer price Index.

To verify the hypothesis of the study the 't' distribution has been applied using the Minitab. (Software package uses to analyse statistical data). Simple percentages have been applied to identify those variables which as a whole influence the factor determined rising the land values in TUA. Besides these, Chi-
square test and has been applied to test the hypothesis and to explain relative variation in values among residential and commercial areas.

1.6 Scope of the study

The focus of this study is the operation of the urban land policy with reference to TUA. The introductory chapter describes the problems pertaining to urban land development and the need for Government intervention through appropriate policy measures. This study thereafter proceeds to highlight the theoretical concepts relevant to an understanding of urban land policy. The theories relating to urban land use, urban land values and also the spatial framework for land use analysis has also been discussed.

This study also makes an attempt to critically analyse the effectiveness of the implementation of the Urban Land Policy of India, which restricts private rights over the use of land and to direct intervention in the land market.

The specific issues pertaining to TUA are taken up for detailed study subsequently. First, an attempt is made to analyze the land values to gain an insight into the functioning of the land market in the TUA.
The concluding chapter gives a summary of the major findings and contains a discussion on the relevance of the issues raised in this study. The conclusions are intended to guide the formulation of urban land policy and to arrest the increasing land values in Indian cities.

1.7 Limitation of the study

No household survey is made with respect to land values. The present study does not depend on household survey for information collection. The reason is the lukewarm response received during the pilot survey from the select households. Respondents neither seemed to reveal the value of land purchased not the reason for hike in values. Hence this study resorted to eliciting information from the real estate proprietors. There are many land economists who have argued, in the following way.

Land value information can also be directly collected from interviews with real estate brokers. For example, in both Jakarta and Karachi, approximately 100 real estate brokers working in either the formal sectors were interviewed to obtain land information on plot prices. In both cases only experienced brokers were surveyed (Dowall, 1995). The urban land values data were based on direct observation as well as interviews with local real estate agents (Mohan and Villamizer, 1980).
1.8 Thesis Organization

Chapter 1 outlines the broad aims of the thesis and correct level of understanding, particularly, the statement of the problem, objectives, hypothesis and the methodology.

Chapter 2 describes the review of literature, concepts, related theories and earlier studies for understanding the land values and land use pattern which pay way for analysis of the present study. This forms the basis for a more detailed discussion of earlier studies of the land market operation in the cities.

Chapter 3 presents an overview of the urban policy in India. This form, whether land policies have achieved its objectives or not.

Chapter 4 deals to the urbanization and its impact of the present study area. This chapter gives broad outline about urban development.

In chapter 5 attempts to explain the trend in land price in the explicit reference to the changing macro-economic structure of the natural and local economy. This chapter draws together some of the empirical stands of thesis; linking the tendency in land prices identified in chapter 3 and 4 chapters, specially land values, housing, service and planning polices, special attention is given to the
‘snapshot’ analysis as a method of exploring the possible relationship between the guideline values and market values. The socio-economic factors, one of the reason for increasing the land values in the present study area and it also discussed that the agricultural lands have been converted for human habitation over the period.

Chapter 6 draws together some of the empirical stands of the thesis. An holistic approach to urban land management needs to take into consideration, all relevant socio-economic issues pertaining to urban land like access to land by the poor, control on land speculation and land price inflation.