Globalization and liberalization are directly linked with each other. The first wake of globalization started in India when the economic liberalization policies were undertaken in the 1990s by Dr Manmohan Singh, the then Finance Minister of the country. Since then, the economy of India has improved to a great extent and has significantly led to the rise in the economic growth of the country. The process of liberalization has also opened up several opportunities in India’s real estate sector especially in urban development. It has also opens the doors of foreign direct investment in real estate sector.

After the process of the liberalization, the FDI in other sectors of the economy is also increasing continuously. As per the World Investment Report 2008, India is the second most attractive location for FDI for the years 2008-2010\(^1\). As per the said report, the total Foreign Direct Investment that had come into India during 2005 was 7606 million US dollars. The said amount increased to 19662 million US dollars for the year 2006 and it further increased to an amount of 22950 million US dollars for the year 2007\(^2\). It is also stated that in the said report that there is a substantial increase in the flow of FDI in South Asia and more particularly to India\(^3\).
The importance of real estate sector in FDI inflows in to India is well established. According to the report published by the India Brand Equity Foundation 2005\textsuperscript{4}, the total size of the real estate sector market was around 12 billion US dollars and it was estimated to grow at a steady clip of over 30 per cent per annum. The report also clearly narrated that the capital housing stock in India constitutes around 5 sq. mtr per capita which is extremely low compared to develop or developing countries in the world.

As per the above mentioned report the estimate of component of real estate FDI to the total FDI for the year 2005 was in between 10- 20 per cent. This exponential growth of the component of real estate in the total FDI inflows has been trigger provided by the liberalised FDI policy\textsuperscript{5}. According to the Federation of Indian Chamber of Commerce and Industry (FICCI), the decision of the Government of India to liberalize the FDI announced in the construction sector is perhaps the most significant economic policy decision taken by the Central Government\textsuperscript{6}.

The population of a nation is vital for the development of the economy. There can be no development without active participation of the population. The size of the Indian Population has increased during census and after economic reforms; the
growth of urban population is also increasing. The rapid growth of urban population in developing countries acquires serious proportions; the study of urbanization and its relation to the development is attracting greater and more critical attention of researchers, planners and policy makers concerned. The problem is however, enormously complex and of a multifaceted nature, economic, sociological, political, cultural, etc,. It is not amenable to ethnocentric unidisciplinary analysis. As a result, the theories pertaining to urbanization and development are still in their growing stage.

Industrialization does play a very important role in the process of urbanization almost everywhere but the development of cities especially in the metropolitan cities in the developing countries does not owe primarily to industrial expansion. Many of the other factors have played very prominent roles and these factors continue to trigger urban growth even today. The forces that have led to a particular type of urbanization process in the developing countries are quite different and more complex than those in the European and other western countries and the only way to analyze the pattern of the development is to understand these factors well.

In an already urban world the growth of cities will be the single largest influence for development in the first part of the 21st
Urban population is growing faster than the world population as a whole. Some cities are experiencing fastest rate of population growth ever seen. Nearly all the urban population increase will be in the present day developing countries. They will account nearly 93 per cent of the 2.06 billion increases in the global urban population between 1970 and 2020. Two out of the three urban people live in developing countries, by 2015 it will be three out of four and by 2025 nearly four out of five. Much of this growth will come in the world’s under developed countries and many of the new urban people particularly women and children will be among the poorest people of the globe. A high proportion of global urban population lives in the bigger cities. There were 83 cities or city system with a population of more than one million in 1950; 34 of them in developing countries. Presently, there are more than 280 of them and this number is expected to almost double by 2015. All the new cities with more than one million population and 11 of the world’s 15 biggest cities are in developing countries. The above quotation is taken from the UNFPA, State of World Population 2006, clearly narrating the importance of growing urban population in the world. This clearly indicates that the urban scene is undergoing dramatic change world over.

In earlier period, urbanization had been associated with industrialization, indeed they have been considered synonymous.
Presently, people have acquired the knowledge about the living conditions in the cities, manufacturing activities in the cities have been shifting to outskirts of the city. This is a turning circle as compared with the industrialization period. In contrast to the early days of industrial revolution when employment activities in the urban spectrum usually declined with rapid industrialization and urbanization in less developed countries today services have intended to expand as fastest industry so that process of development so called urbanization is a movement of people to both service and industry from the traditional agricultural oriented activities.

Urbanization is a natural phenomenon that takes place as the nation grows. Some activities are best performed in, indeed require, agglomerations of people while others do not. The area of activities has, therefore, to be seen in the total activities existing in the nation and the exploitation of resources and development in the future. Agglomerations economies are very important for the development of particular country because they want to enter the industrialized or manufacturing or service world. In the provision of infrastructure in the urban area many economies of scale are operating. Service activities such as banking and insurance also exhibit economies of scale. The economic activities thrive in the presence of many other economic activities\(^8\). Hence agglomeration of economic activities and
people, that is urbanization should be seen as positive for overall development. Hence it should be supported by policy actions. The puzzle of India is that, when industry and overall gross national product grew at unprecedented rates, the rate of growth of urbanization slowed down.

India did not realize the immense and enormous power of the market driven economy till the beginning of nineties of the last century. For more than half decades since the inception of Indian Planning the economy of India followed the policy of protectionism. The policy makers were obsessed with the idea that prime role of the government is to own / control industry commerce and other service sector rather than being the facilitator of these segments of the economy. There was given more importance to control rather than good governance. The industrial commercial and service sectors faced thousands of controls. Foreigners never interested to invest in India. Domestic investors also feeling strangulation. Over protectionism resulted in low productivity, low production, low investment and low employment opportunities.\footnote{9}

The year 1991 however, saw India open its eyes to the reality and realize the vast potential of a global economy. The economy was open up and sweeping changes in the economic policy were initiated thereby giving economic freedom to all. India
is no more a close economy where only few capitalists could thrive. Today even a poor can become a billionaire if he/she has entrepreneurial as well as technical knowhow. Control will not come in his way. Economic reforms initiated in 1991 have greatly transformed the economy and have placed it on the path of reaching a self-sustained growth in the near future. The reforms have been consumer friendly and have resulted in an era of availability of everything in large number. The number of controls that hindering the economic growth have largely been eliminated. Now foreign investments are being welcomed in many areas especially in developing infrastructural projects, real estate business, etc. The inception of the policies of the Government of India; so called liberalization; privatization and globalization (LPG) changed the economic scenarios in urban India considerably during the last two decades.

In this condition, the acceleration of urban development in a nation like India is a cause for concern. This could be caused by a deceleration in productivity growth. The main reasons behind this are various factors such as the absence of appropriate technology, wrong system followed in the fixing of tariff especially protecting most of the capital intensive technology used industries where more capital is used with less level of labour, changes in the labour laws, inadequate resources for meeting the adequate level of investment in the infrastructure, negative marginal
productivity of labour in the agricultural sector except certain pockets of the economy, etc, would inhibit both tertiary and secondary industrial sector growth.

Approximately 377 million Indians live in nearly 3900 towns and cities spread across the country. This is 31.80 per cent of its population. In sharp contrast to only 60 million (15 per cent) who lived in urban areas in 1947, when the country became independent. During the last sixty three years the population of India has grown more than six times, but Urban India has grown by more than forty times. In numerical terms, India’s urban population is second largest in the world after China and is higher than the total urban population of all the countries put together barring China, USA and Russia.

Urban areas are the engines of productivity, growth and over all development of the country. This is manifested in the increasing contribution of urban sector to national income. The estimated contribution of urban sector to the national income of India during 1951 was only 29 per cent and it increased to more than two third of national income during the year 2010. It clearly showed the fact that during the last half century the contribution of national income from the urban sector had showed the growth at 107 per cent. Growth of employment of especially in the main workers category in urban sector during 1981-91 was reached at
38 per cent, which was higher than the national level and the rural by 11.9 per cent and 22 per cent respectively. This clearly indicates the fact that there is a wide gap between the incomes of rural and urban India. The main reason behind this was due to the large level of concentration of industrial and service sector activities in urban areas of India. The flux of migrating people from both skilled technically and educationally fitted and unskilled workers in the rural areas to the urban areas also put immense pressure of the already existing scarce availability of infrastructural facilities in the urban areas, especially in drinking water, sanitation, housing, health, education and all other facilities. This ultimately resulted in the downward position of development in urban sector. Infrastructural facilities not cop-up with the required level leads to scarcity of facilities.

India was a latecomer to economic reforms, embarking on the process in earnest only in 1991, in the wake of an exceptionally severe balance of payments crisis. The need for a policy shift had become evident much earlier, as many countries in East Asia achieved high growth and poverty reduction through Policies that emphasized greater export orientation and encouragement of the private sector. India took some steps in this direction in the 1980s, but it was not until 1991 that the government signalled a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the
private sector including foreign investment, and a restructuring of the role of government\textsuperscript{13}.

India’s economic performance in the post reform period has many positive features. The average growth rate in the ten-year period from 1992–1993 to 2001–2009 was around 6.0 per cent which puts India among the fastest growing developing countries in the 1990s. This growth record is only slightly better than the annual average of 5.7 percent in the 1980s, but it can be argued that the 1980s growth was unsustainable, fuelled by a build up of external debt that culminated in the crisis of 1991. In sharp contrast, growth in the 1990s was accompanied by remarkable external stability despite the east Asian crisis. Poverty also declined significantly in the post reform period and at a faster rate than in the 1980s.

World economic growth was slower in the second half of the 1990s, and that would have had some dampening effect, but India’s dependence on the world economy is not large enough for this to account for the slowdown. Critics of liberalization have blamed the slowdown on the effect of trade policy reforms on domestic industry\textsuperscript{14}. However, the opposite view is that the slowdown is due not to the effects of reforms, but rather to the failure to implement the reforms effectively. This in turn is often attributed to India’s gradualist approach to reform, which has
meant a frustratingly slow pace of implementation. However, even a gradualist pace should be able to achieve significant policy changes over the years.

We review policy changes in several major areas covered by the reform program: fiscal deficit reduction, industrial and trade policy, agricultural policy, infrastructure development, financial development, privatization and social sector development. Based on this review, we consider the cumulative outcome of next ten years of gradualism to assess whether the reforms have created an environment that can support 9 per cent GDP growth, which is now the government target.

**Savings & Investment Sectors:** Fiscal profligacy was seen to have caused India’s balance of payments crisis in 1991, and a reduction in the fiscal deficit was therefore an urgent priority at the start of the reforms. The combined fiscal deficit of the central and state governments was successfully reduced during the post reform period and the balance of payments crisis was over by 1993. However, the reforms also had a medium-term fiscal objective of improving public savings so that essential public investment could be financed with a smaller fiscal deficit to avoid “crowding out” private investment. This part of the reform strategy was unfortunately never implemented.
Accelerating to 9 per cent growth will require a commensurate increase in investment. Growth rates of this magnitude in East Asia were associated with investment rates ranging from 36 to 38 percent of GDP. While it can be argued that there was overinvestment in East Asia, especially in recent years, it is unlikely that India can accelerate to 9 per cent growth unless it can raise the rate of investment to around 29-35 per cent of GDP. Part of the increase can be financed by increasing foreign direct investment, but even if foreign direct investment increases from the present level of 0.5 percent of GDP to 2.0 percent—an optimistic but not impossible target—domestic savings would still have to increase by at least 5 percentage points of GDP. The central government’s effort must be directed primarily toward improving revenues, because performance in this area has deteriorated significantly in the post reform period.

There is also room to reduce central government subsidies, which are known to be highly distortionary and poorly targeted (for example, subsidies on food and fertilizers), and to introduce rational user charges for services such as passenger traffic on the railways, the postal system and university education. Overstaffing was recently estimated at 30 per cent, and downsizing would help reduce expenditure. State governments also need to take corrective steps. Sales tax systems need to be modernized in most states. Agricultural income tax is constitutionally assigned to the states, but no state has attempted
to tax agricultural income. Land revenue is a traditional tax based on landholding, but it has been generally neglected and abolished in many states. Urban property taxation could yield much larger resources for municipal governments if suitably modernized, but this tax base has also been generally neglected.

The fiscal failures of both the central and the state governments have squeezed the capacity of both the center and the states to undertake essential public investment. High levels of government borrowing have also crowded out private investment. Unless this problem is addressed, the potential benefits from reforms in other areas will be eroded, and it may be difficult even to maintain the average growth rate of 6 per cent experienced in the first ten years after the reforms, let alone accelerate to 9 per cent.

**Industrial & Trade Sectors:** Reforms in industrial and trade policy were a central focus of much of India’s reform effort in the early stages. Industrial policy prior to the reforms was characterized by multiple controls over private investment that limited the areas in which private investors were allowed to operate and often also determined the scale of operations, the location of new investment and even the technology to be used. The industrial structure that evolved under this regime was highly inefficient and needed to be supported by a highly protective trade policy, often providing tailor-made protection to each sector.
of industry. A great deal has been achieved in this area after ten years of gradualist reforms.

Industrial policy has seen the greatest change, with most central government industrial controls being dismantled. The list of industries reserved solely for the public sector—which used to cover 18 industries, including iron and steel, heavy plant and machinery, telecommunications and telecom equipment, minerals, oil, mining, air transport services and electricity generation and distribution—has been drastically reduced to three industries: defense aircrafts and warships, atomic energy generation and railway transport. Industrial licensing by the central government has been almost abolished, except for a few hazardous and environmentally sensitive industries. The requirement that investments by large industrial houses needed a separate clearance under the Monopolies and Restrictive Trade Practices Act to discourage the concentration of economic power was abolished, and the act itself is to be replaced by a new competition law that will attempt to regulate anticompetitive behaviour in other ways.

The main area where action has been inadequate relates to the long-standing policy of reserving production of certain items for the small-scale sector. About 800 items were covered by this policy since the late 1970s, which meant that investment in plant and machinery in any individual unit producing these items could
not exceed $250,000. Many of the reserved items, such as garments, shoes and toys, had high export potential, and the failure to permit development of production units with more modern equipment and a larger scale of production severely restricted India’s export competitiveness. The Report of the Committee on Small Scale Enterprises (1997) and the Report of the Prime Minister’s Economic Advisory Council (2001) had both pointed to the remarkable success of China in penetrating world markets in these areas and stimulating rapid growth of employment in manufacturing. Both reports recommended that the policy of reservation should be abolished and other measures adopted to help small-scale industry.\textsuperscript{16}

Industrial liberalization by the central government needs to be accompanied by supporting action by state governments. Private investors require much permission from state governments to start operations, like connections to electricity and water supply and environmental clearances. Complaints of delays, corruption and harassment arising from these interactions are common. Some states have taken initiatives to ease these interactions, but much more needs to be done.

Trade policy reform has also made progress, though the pace has been slower than in industrial liberalization. Before the reforms, trade policy was characterized by high tariffs and
pervasive import restrictions. Imports of manufactured consumer goods were completely banned. For capital goods, raw materials and intermediates, certain lists of goods were freely importable, but for most items where domestic substitutes were being produced, imports were only possible with import licenses. The criteria for issue of licenses were non transparent, delays were endemic and corruption unavoidable. The economic reforms sought to phase out import licensing and also to reduce import duties. Import licensing was abolished relatively early for capital goods and intermediates, which became freely importable in 1993, simultaneously with the switch to a flexible exchange rate regime. Import licensing had been traditionally defended on the grounds that it was necessary to manage the balance of payments, but the shift to a flexible exchange rate enabled the government to argue that any balance of payments impact would be effectively dealt with through exchange rate flexibility. Removing quantitative restrictions on imports of capital goods and intermediates was relatively easy, because the number of domestic producers was small and Indian industry welcomed the move as making it more competitive.

**Foreign Direct Investment:** Liberalizing foreign direct investment was another important part of India’s reforms, driven
by the belief that this would increase the total volume of investment in the economy, improve production technology and increase access to world markets. The policy now allows 100 per cent foreign ownership in a large number of industries and majority ownership in all except banks, insurance companies, telecommunications and airlines. Procedures for obtaining permission were greatly simplified by listing industries that are eligible for automatic approval up to specified levels of foreign equity.

For investments in other industries, or for a higher share of equity than is automatically permitted in listed industries, applications are considered by a Foreign Investment Promotion Board that has established a track record of speedy decisions. In 1993, foreign institutional investors were allowed to purchase shares of listed Indian companies in the stock market, opening a window for portfolio investment in existing companies. These reforms have created a very different competitive environment for India’s industry than existed in 1991, which has led to significant changes. Indian companies have upgraded their technology and expanded to more efficient scales of production\textsuperscript{17}. They have also restructured through mergers and acquisitions and refocused their activities to concentrate on areas of competence. New dynamic firms have displaced older and less dynamic ones: of the top 100 companies ranked by market capitalization.
**Agriculture Sector:** A common criticism of India’s economic reforms is that they have been excessively focused on industrial and trade policy, neglecting agriculture that provides the livelihood of 60 per cent of the population. The reduction of protection to industry, and the accompanying depreciation in the exchange rate, has tilted relative prices in favor of agriculture and helped agricultural exports\(^\text{18}\). On the other side the developments in the agriculture and rural sectors were not satisfactory as indicated earlier. The main reason why public investment in rural infrastructure has declined is the deterioration in the fiscal position of the state governments and the tendency for politically popular but inefficient and even inequitable subsidies to crowd out more productive investment.

**Infrastructure Sector:** Rapid growth in a globalized environment requires a well-functioning infrastructure, including especially electric power, road and rail connectivity, telecommunications, air transport and efficient ports. India lags behind east and Southeast Asia in these areas. These services were traditionally provided by public sector monopolies, but since the investment needed to expand capacity and improve quality could not be mobilized by the public sector, these sectors were opened to private investment, including foreign investment.
Financial Sector: India’s reform program included wide-ranging reforms in the banking system and the capital markets relatively early in the process, with reforms in insurance introduced at a later stage. Banking sector reforms included:

(a) Measures for liberalization, like dismantling the complex system of interest rate controls, eliminating prior approval of the Reserve Bank of India for large loans and reducing the statutory requirements to invest in government securities;

(b) Measures designed to increase financial soundness, like introducing capital adequacy requirements and other prudential norms for banks and strengthening banking supervision;

(c) Measures for increasing competition, like more liberal licensing of private banks and freer expansion by foreign banks.

These steps have produced some positive outcomes. There has been a sharp reduction in the share of nonperforming assets in the portfolio, and more than 90 per cent of the banks now meet the new capital adequacy standards.

Privatisation: The public sector accounts for about 35 per cent of industrial value added in India, but although privatization has been a prominent component of economic
reforms in many countries, India has been ambivalent on the subject until very recently. Initially, the government adopted a limited approach of selling a minority stake in public sector enterprises while retaining management control with the government, a policy described as “disinvestment” to distinguish it from privatization. The principal motivation was to mobilize revenue for the budget, though there was some expectation that private shareholders would increase the commercial orientation of public sector enterprises. In 1998, the government announced its willingness to reduce its shareholding to 26 per cent and to transfer management control to private stakeholders purchasing a substantial stake in all central public sector enterprises, except in a limited group of strategic areas.

An important recent innovation, which may increase public acceptance of privatization, is the decision to earmark the proceeds of privatization to finance additional expenditure on social sector development and for retirement of public debt. Privatization is clearly not a permanent source of revenue, but it can help fill critical gaps in the next five to ten years while longer-term solutions to the fiscal problem are attempted. Many states have also started privatizing state-level public sector enterprises. These are mostly loss-making enterprises and are unlikely to yield significant receipts, but privatization will at least eliminate the recurring burden of financing losses.
Social Sector: India’s social indicators at the start of the reforms in 1991 lagged behind the levels achieved in Southeast Asia 20 years earlier, when those countries started to grow rapidly. The gap in social development needed to be closed, not only to improve the welfare of the poor and increase their income earning capacity, but also to create the preconditions for rapid economic growth. While the logic of economic reforms required a withdrawal of the state from areas in which the private sector could do the job just as well, if not better, it also required an expansion of public sector support for social sector development.

Closing the social sector gaps between India and other countries in Southeast Asia will require additional expenditure, which in turn depends upon improvements in the fiscal position of both the central and state governments. These problems are directly caused by lack of resources, as when the bulk of the budget is absorbed in paying salaries, leaving little available for medicines in clinics or essential teaching aids in schools. There are also governance problems, such as nonattendance by teachers in rural schools and poor quality of teaching.¹⁹

Part of the solution lies in greater participation by the beneficiaries in supervising education and health systems, which
in turn requires decentralization to local levels and effective peoples’ participation at these levels. Nongovernment organizations can play a critical role in this process. Different state governments are experimenting with alternative modalities, but a great deal more needs to be done in this area. While the challenges in this area are enormous, it is worth noting that social sector indicators have continued to improve during the reforms.

India’s Real Estate Sector

India is the second most populous country after China and it is expected to overtake it by 2030\textsuperscript{20}. Its economic transformation over the past one and half decade has pushed up real Gross National Product. India is emerging as an important business location, particularly in the services sector. Its favourable demographics and strong economic growth make the country an attractive place for property investors, given that demand for property is determined chiefly by business development and demographic trends.

In recent years, the real estate sector in India has exhibited a trend towards greater organization and transparency, accompanied by various regulatory reforms and these reforms are;

- Government of India’s support to the repeal of Urban Land Ceiling Act,
- Modifications of Rent Control Act to provide greater protection to homeowners wishing to rent out their properties.
- Rationalization of property taxes,
- Computerization of land records, etc.

Greater organization and transparency has contributed to the development of real estate sector and organized investment in this sector by domestic and international financial institutions has resulted in the greater availability of financing for real estate developers or property developers. Regulatory changes permitting foreign investment are further increasing investment in the real estate sector. Now the nature of demand is changing, with increasing expectations of the consumer and is influenced by higher disposable incomes, increased globalization and the introduction of real estate products and services.

**Residential Real Estate:** Growth in real estate market in India has been largely influenced by rising disposable incomes, rapidly growing middle income groups, fiscal incentives in the forms of interest and principal payments for housing loans, ever increasing number of nuclear families, etc. The residential sector is expected to continue to demonstrate robust growth over the coming years, assisted by rising penetration of housing finance and favourable tax incentives.
Commercial Real Estate: The recent growth of commercial real estate sector in India has been fuelled by the increased revenue of companies in the service sectors particularly in Information Technology and Information Technology Enabled Services sectors. This sector expected to increase further because of the creation of new jobs, which in turn will enhance the demand for commercial spaces. In addition, the Indian offshoring operations of multinational companies are also expected to increase the demand for commercial spaces.

Retail Real Estate: The growth of organized retail is expected to be driven by demographic factors, increasing disposable incomes, changes in the shopping habits, entry of international companies, and the growing number of retail malls. The organized retail has so far limited to cosmopolitan cities and now they announced their expansion plans in small and medium cities.

Hospitality Industry: Then hotel industry in India has grown as a result of growing economy, increased business travel and tourism. With the increased demand and limited availability of quality accommodation, the average room rates in metropolitan cities have increased considerably during the last five years. The general increase in the room rates and occupancy rates is
expected to contribute further increase in the demand for new hotel developments.

**Special Economic Zones:** Special Economic Zones (SEZ) delineated duty free enclaves deemed to be foreign territories for purposes of Indian custom controls, duties and tariffs. Special Economic Zones, by virtue of their size, are expected to be a significant new source of real estate demand.

**Infrastructure Development Projects:** Central and State Governments in India are increasingly focused on infrastructure and development. A significant portion of infrastructure development is expected to be undertaken through public private partnerships, thereby increasing flow of private capital into infrastructure projects like, housing and other related fields such as transportation, telecommunication, ports, sanitation, water supply, etc.. India’s cities must gear up to a dramatic increase in size. This in turn, increases the infrastructure facilities massively. The accelerated rate of urbanization throws into particularly sharp focus on the possibility of developing established centers in a more prudent way.

The most important office locations are in the central business districts. It has been only in the last few years, as space has become more limited in the central business districts and new
higher quality offices with lower prices have been built peripheral areas that the demand has shifted from downtown areas out to the new locations called secondary business districts. Most recently, additional development areas, with a mixture of retail and residential have been built.

With commercial space in the central business districts and secondary business districts in cosmopolitan cities getting saturated, the surrounding non-metro areas are getting investor attentions. For instance, the business activities in Delhi are getting extended to the adjoining areas of neighbouring states such as Haryana, Rajasthan and Uttar Pradesh. Due to insufficient information, small real estate stock and poor level of infrastructure, these markets are still relatively illiquid and offer greater risks. Delhi is India’s second biggest city is the seat of the government and represents the central traffic hub in north India.

As in the other metro cities, the main sources of demand are Information Technology and Information Technology Enabled Services companies. Delhi has established itself as a hub for information technology and business centre, which draws on the workforce’s excellent and almost accent –free English language skills. The demand for space has spiraled in recent years.
Banks and corporate service providers like lawyers, tax consultants, etc with close proximities to the ministries are also situated in Delhi. The prime address, the office use and retail, is around Connaught Place, although there is a little space for new buildings there. As a result, rents are comparatively higher and new office blocks are being built on the outskirts of Delhi. Immediately to the south of Delhi, Gurgaon was the first non-metropolitan location in which an Information Technology company IBM opened an office. Its far bigger supply of space and low office rents make it extremely attractive, a fact increasingly recognized by media and technology companies like Microsoft, Nortel, Samsung, etc.

**Policy of Foreign Direct Investment in Real Estate Sector in India.**

The Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, vide Press Note No. 2 (2005) 22 permitted foreign direct investment up to 100 per cent under automatic route of in townships, housing, built up infrastructure and construction development projects, which would include, but not be restricted to housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure facilities, such as roads and bridges, transit systems subject to the following guidelines;
The minimum area to be developed under each project would be as follows;

- In case of development of serviced housing plots, a minimum land area of 10 hectares.
- In case of construction of development projects, minimum built area of 50000 sq. mtrs.
- In case of combination of the above two projects, any one of the above two conditions would suffice.

The minimum capitalization norm shall be USD 10 million for a wholly owned subsidiary and USD 5 million for joint ventures with Indian partner/s. The funds would have to be brought in within six month of commencement of business of the company.

Original investment cannot be repatriated before the period of three years from the completion of minimum capitalization. However, the investor may be permitted to exit earlier with prior approval of the government through the Foreign Direct Investment Promotion Board (FDIPB).

Development of at least 50 per cent of the integrated project within a period of five years from the date of obtaining all statutory clearances to be completed. The investor would not be permitted to sell under developed plots (under developed
connotes, where roads, water supply, street lighting, drainage, sewerage and other conveniences as applicable under prescribed regulations, have not been made available). The investor must provide this infrastructure and obtain the completion certificate from the concerned local body/ service agency before being allowed to dispose the serviced housing plots.

The projects shall confirm to the norms and standards, including the land use requirements and provision of community amenities and common facilities as laid down in the applicable building control regulations, by-laws, rules and other regulations of the State Governments/ Municipal/ Local Body concerned.

The investor shall be responsible for obtaining all necessary approvals, including those of the building/ lay out plans, developing internal and peripheral areas and other infrastructure facilities, payment of development, external development and other charges and complying with other requirements as prescribed under applicable rules/ bye-law/ regulations of the state government/ municipal body/ local body.

Opportunities of FDI in Indian Real Estate Sector

The opportunities in the Indian real estate sector, has been highlighted as follows;
• There is a shortage of 12 million housing in the urban areas of India.

• There is scope for 400 township projects over the coming years spread across 35-40 metro cities as per population in 2011, each having population of more than one million.

• Total project value dedicated to low and middle income housing in the 12th Five Year Plan is estimated at Rs. USD 40 million.

• Instruments such as residential mortgage-backed security, commercial mortgage-backed security, and collateralized debt obligations are being used to make capital work more efficiently and de-risk project incomes from promoter risk while creating a robust secondary market for commercial real estate.

Limitations of FDI in Real Estate Sector

Despite huge investment potential there are certain snags related to investment in India’s real estate sector. Topping the list of impediments is the opaque nature of the business in India. There are challenges of investing in India relate to transparency, limited market history and forecasting difficulties as well as title complexities and imperfections. Ownership records and land title are one of the biggest blind spots in property valuations. Further there is no title insurance in the country. Title insurance, as the name suggests, guarantees against massive losses I in case of
faulty title. While domestic funds are able to negotiate these issues, foreign funds too are learning to handle them. Major impediments are:

- Limited market history of property.
- Procedural complexities.
- Title complexities.
- Absence of title insurance.
- Limited or lack of urban planning.

Stamp duties and archaic laws such as Urban Land Ceiling Act (ULCA) and rent Control Act to be scrapped or rationalized. The Urban Land Ceiling Act provide for the provision of imposition of ceiling on vacant land in urban agglomerations, for the acquisitions of such land in excess of the ceiling limit, to regulate the construction of buildings on such land and for matters connected therewith, with a view to preventing the concentration of urban land in the hands of few persons and speculation and profiteering therein and with a view to bringing about equitable distribution of land in urban agglomerations to sub serve the common good.

**Review of Literature**

As per the Census of India 2011 India has a population of 1210 million with more than 31 per cent or more clear 377 million
living in urban areas. As a result of the economic liberalization policies initiated by the Government of India during the initial period of 1990’s is expected to increase the share of urban population may increase to 40 per cent of the total population by the year 2021. It is estimated by the year 2011, the urban area would contribute about two third of the Gross Domestic Product (GDP). Amitabh Kundu and S. Moitra, in their book entitled “Access of Urban Poor to Basic Services, an Analysis in the Changing Perspectives of Urban Development in India” clearly stressed the importance of developing weaker section in urban areas. If the policy is not giving the importance for them, the ultimate result will be a gloomy picture in the coming future. So it is very essential for developing these sections at the earliest. The present Government at the center, it its Common Minimum Programme (CMP) stressed the importance of developing weaker sections, a hope for attaining some level of development of these sections.

The impact of economic reforms in India by various authors such as “Economic Reforms in India since 1991” by Montek Singh Ahluwalia”, The New Global Economy and Developing Countries” by Dani Rodrik, “Economic Reforms and Industrial Structure in India” by Sudip Choudhary,” Building a Climate for Investment, Growth and Poverty Reduction in India” by Nicholas Stern etc showed the positive results as well as need for more liberalization
in other sectors of Indian Economy. The housing shortage in India and Delhi is clearly presented in the 11th Plan Document, Planning Commission, Census of India, Ministry of Housing and Poverty Alleviation, Ministry of Statistics and Programme Implementation, Government of India, etc.

Sh. Om Prakash Mathur in his study titled “Impact of Globalization on Cities and City Related Policies in India” clearly indicated the positive impacts of globalization in Indian Economy. Globalization is not only in rapid economic progress of the nation but affected the development of cities in a multipronged ways especially due to the affects of FDI in real estate sector. The urban population distribution in India reflects the absence of primary agriculture sector; in fact, the million plus cities grew more slowly in the 1990s in an era of natural lower population growth. High quality residential and office complex has been developed in urban areas as well as urban outskirts, fostered by rapidly increasing the land prices. FDI limited on limited sectors including the knowledge based industries, resulting in selective (not skilled) migration and growth along urban corridors rather than cities. The macroeconomic reforms and globalization have forced many policy changes at the city level; private sector involvement in infrastructure development and management; allowing city access to capital markets; and setting up central government funding programmes to promote urban structural changes. The impacts of
globalization on cities can be exaggerated. The scale of FDI is low compared with other Asian Countries, the direct impact were geographically concentrated in larger cities, globalization has not accelerated urban growth in the macro level, only few economic sectors have been impacted and the most obvious changes have been in the built environment and spatial nature.

Delhi Government, in its portal clearly mentioned that Delhi has seen fast development in the infrastructure development over the last few years especially due to the increase in FDI. Delhi is attracting not only corporate bodies with in the nation but also all over the world, MNCs, BPOs and IT and IT Enabled Services. Recent developments and economic progress of Delhi have put the city on the global map competing with other top cities in the world.

Delhi Development Authority published the report titled” Public Land and Property Development and Cross Subsidization for Low Income Housing in Delhi” clearly explained the situation of public land and property development. The situation of public land and property management in Delhi is discussed in three subsections. The first section reviews the theoretical perspectives on cross subsidization for low income housing and conceptualizes theoretical understanding of Delhi’s cross-subsidization through large scale public land and property development. The second
section discusses the situation of public land development and cross-subsidization in Delhi. The third sections discusses the major effects of Delhi's cross-subsidization for low income housing and assess its success and failure in the provision of appropriate housing.

The Report pertaining to urban land price – individual metropolitan cities by the Town & Country Planning Organization, Ministry of Urban Development, Government of India clearly narrating the factors influencing the land prices of urban areas. In addition, the study narrated the importance of developing housing to economically weaker sections of the society as well as improving the slum conditions especially through in situ and resettlement system. H.D. Birdi, in his book titled, “Slum Law and Urbanisation” clearly stressed the pathetic living conditions of slum people, its origin, and facilities enjoyed by the slum dwellers etc.

**Need for the Study**

Housing is very important for mankind especially after food and clothing. The general notion behind the housing was that people prefer residential areas, which is near to their work places and other basic required infrastructural facilities. Due to this speculation of land values grows and most of the moneylenders and other rich income category persons purchase the land in
pivotal places. The lower income category persons can’t even dream for houses in these places because they can’t afford to purchase. With the increasing demand for housing and commercial activities in the city area had already used the optimum level of land area and the planners realized it and architectures horizontal expansion will not meet the required demand. Then the vertical expansion was the only solution to check the rocket rise in the land values in the city area.

Hyper inflated rise in the land values in urban areas has also caused hardships to the economically weaker sections of the society as they have compelled to live only in the peripheral areas especially in the outskirts or fringe areas of the city. This had further resulted in the growing problem of slums in the cities. In order to check sky rocketing prices of available land in the urban areas governments both at the center and states have taken certain measures. Because both economically rich and poor people are very essential in our cities because of their interdependency. In this condition Government of India in its Twenty Point Programme under para 10 (C) stressed the need to check the same and also reduce the concentration of ownership of land from the few economically powerful sections of the society and protect the wishes of all sections. The present United Progressive Alliance Government in its Common Minimum Programme clearly stressed the importance of the development of
housing in the economically weaker sections of the society especially slum dwellers in urban areas. It has also intended to achieve optimum social use of urban land and ensure availability of land sufficient for deserving people at the reasonable values.

The information regarding the land values including residential, industrial and commercial purpose, apartment rates, rent rates, costs of building materials, etc, are very limited and not in time series and no agency provide the same even at the city level. The main factors behind this are – to the absence of specialized system for data collection, ignorance of interviewers, lack of training, multiplicity of institutions, etc. Moreover those who collected the information on land values, rent rates, apartment rates and other details were unknown about the purpose for which they collected the information, its use and other. This often leads to the wide gap between the actual land values and the quoted land values by the concerned agencies. This ultimately leads to wrong data, which in turn leads to wrong policy formulation, implementation, monitoring and evaluation.

In order to derive actual picture of land values in a particular city, the Research Scholar has taken up a study for collecting the information on land values, which influence the development of the city. The study includes the information on urban residential land, commercial land, industrial land, rent rates
both commercial and industrial, apartment rates, its contributory factors for the changes in the land prices and suggesting remedial measures for controlling the abrupt changes.

**Objectives of the Study**

The study has been certain well defined objectives and they are:

1. To examine the available infrastructure facilities in the city.
2. To know the impact of Economic Liberalization Programmes initiated by the Government.
3. To study the demand for housing and housing shortage.
4. To explain the living conditions of slum dwellers and various development activities and slum improvement programmes especially in the post liberalization era.
5. To examine various factors responsible for changes in urban residential, industrial, commercial land prices, rent rates apartment rates in the city.
6. To provide a base level data mainly for assessment rate schedule for fixing stamp duty on land transactions and other policy decision and
7. To recommend strategies for removing the existing bottleneck in the system.

**Structure of the Thesis**

The thesis has been presented in seven chapters.
1. **Introduction:** This introductory chapter clearly narrates the importance of study, objectives of the study, structure of the report etc.

2. **Infrastructure Facilities in Delhi:** In this chapter an attempt has been made to analyze the historical background of Delhi, growth of population, economic and other physical infrastructural facilities, land use pattern of Delhi by the Development Authority.

3. **Research Methodology:** This chapter clearly narrates the data collection and methodology used the selection of Delhi, the national capital city of Indian Union.

4. **Impact of Economic Liberalization:** This chapter mainly describes the reasons for the initiation of the Liberalization Policies of Government and its impact on various sectors including real estate sector.

5. **Demand and Supply of Housing:** This chapter analyzes the demand for housing, typology of houses, tenure status, living pattern of household, research and development in housing mainly suitable for the living conditions as well as weather conditions in Delhi.
6. **Slums and Urban Land Prices**: This chapter presents land prices in Delhi and analyzes its residential, commercial and industrial, rent rates and apartment values during the last half decade. Moreover, an attempt has been made to fit the land Prices on the basis of trend analysis and predict the land prices in some future period on the basis of trends. It also narrates the origin, factors responsible for the creation, definition, characteristics, theories and slums in Delhi. In addition, this chapter analyzes the policy framework programme for action for the improvement of slums in Delhi by the Urban Development Department of Government of NCT of Delhi and Delhi Urban Shelter Improvement Board.

7. **Summary and Conclusion**: This chapter contains all the findings observed, suggesting some remedial solutions and conclusions drawn.
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