

Ease of Doing Business

The Problem

Regulatory environment is a key factor in attracting investors. There is variation in the 'doing business' environment provided by different states in India which gives investors ample choice for parking their funds. In the Department of Industrial Policy & Promotion-Ease of Doing Business rankings for 2017, AP stands third among all the states and UTs. The Government of Andhra Pradesh has focussed on easing the process of land acquisition ever since the introduction of computerization in land records. However, since 2014, it has been facing challenges in lieu of the split of the region into two different states – Telangana (north-western part of the region) and Andhra Pradesh.

It is generally easy to obtain land for business in states that have a high number of industrial parks earmarked by the state governments. AP has over 300 industrial parks, which is one of the highest among all states in India. In order to streamline the land market further, the state needs to move towards the conclusive land titling system and to achieve that, all records related to land – record of rights, maps, surveys – need to be in coherence.

AP lags behind in completing its survey operations using the modern methods, and the state has an opportunity to start from the scratch. Clear property titles, the ownership of which is guaranteed by the government, can go a long way in making the land market in AP more transparent and efficient.

Since 2016 every year, National Council for Applied Economic Research (NCAER) calculates the State Investment Potential Index (N-SIPI) for all the states in India. This index serves as a single composite investment score that depicts how different states are positioned to encourage and attract investment. During the last two years, AP has been among the top states for business investment potential. The advantages enjoyed by the state include a sound economy, easy availability of labour (ranked 2nd), a simpler land acquisition process owing to digitized land records (ranked 1st), and gracious industry perceptions (ranked 2nd).

The interventions proposed to improve the land records management system in Andhra Pradesh are (a) completion of survey/resurvey activities, and (b) digitisation of cadastral maps.

Solutions

| Interventions | BCR | Total benefit (INR crore) | Total cost (INR crore) |
|---|-------|---------------------------|------------------------|
| Land Record Management System - Conducting survey/re-survey activities; Digitization of cadastral maps | 51.26 | 10,938.37 | 213.41 |

Total costs and benefits are discounted at 5%

The full paper by **Nirupama Soundararajan & Shagun Khurana** of Pahle India Foundation (PIF) is available on www.APpriorities.com/economy-business-and-industry.

Land Record Management System

The Problem

Andhra Pradesh is far from adopting the conclusive land titling system as envisaged in the DILRMP, owing

to a flawed implementation design¹⁵. The state revenue department has completed the survey activities under Digital India Land Records Modernization Programme (DILRMP) for only 131 of the villages (0.75 per cent). It has digitized 57 per cent

of the existing maps; all existing cadastral maps under use were prepared using the traditional techniques. Spatial data captured in these maps has been verified for only 1.83 per cent of the villages (321 of 17563 villages). The land records available online are not free of errors as modernization has largely meant that paper records are now stored in computers without updating, with almost no verification of ownership and other data. Conclusive titling system requires all land records to be integrated and updated simultaneously in order to make future land transactions less cumbersome and reduce the land-related disputes.

The Solution

Two specific interventions in this area are proposed – (a) completion of survey/resurvey activities, and (b) digitisation of cadastral maps.

The existing 57 per cent of the cadastral maps of AP have been digitized under DILRMP but have not been updated since the last survey operations. The proposed interventions imply a simultaneous digitization of maps made and updated during the surveys conducted under DILRMP.

The duration of the intervention is taken to be 53 years, that is, until 2070 and the costs and benefits are calculated accordingly.

Costs

The cost of this intervention is a sum of the cost of conducting survey/resurvey activities in rural areas, cost of digitizing the cadastral maps and operational and maintenance costs. This study assumes marginal increase in the existing operational costs by INR 0.47 crore per year, which is 0.22 per cent of the fixed costs of implementing the interventions.

The total cost of digitisation of cadastral maps and conducting survey/resurvey activities in Andhra Pradesh that will accrue for a period of 53 years is estimated to be INR 240.42 crores at 2017 prices. The

present value of the cost stream amounts to INR 213.41 crores at 5 percent discount rate.

Components of land records analysis

- + Cost of digitising all the cadastral maps
- + Cost of surveying / resurveying the state
- + Operational and maintenance costs
- = Defined property rights leads to increase in economic activity

Estimated as a 0.024 percentage point boost to the economic growth rate of Andhra Pradesh

Benefits

The benefits due to this intervention is economic benefit from secured property rights. Digitisation and updating of all land records with the help of surveys will contribute towards securing property rights in AP and lead to a movement of 1/50th standard deviation of the International Country Risk Guide (ICRG) index. This would mean a 0.024 percentage point boost to the growth rate of the economy of AP.

While the costs are one-time, the benefits of digitisation are calculated based on present value for perpetuity since they will be reaped over a lifetime.

The total benefit resulting from the implementation of these two interventions is estimated to be INR 55962.40 at 2017 prices. The present value of the benefit stream amounts to approximately INR 10,938.37 crores at 5 percent discount rate.