

Land Administration and Economic Development: Evidence from Eastern Nepal



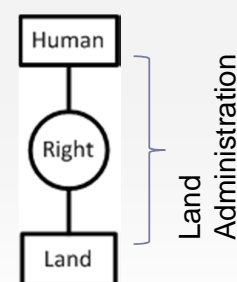
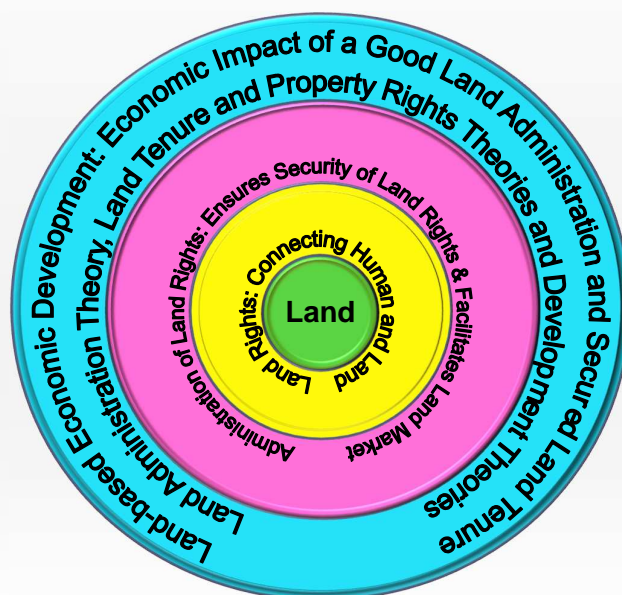
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Objectives

- Main Research Objective: To investigate the role of land administration on economic development.
- This paper **assesses the contribution of land tenure security on agricultural production based on the evidences collected from Nepal.**

Putting Land Administration into the Context of Land-based Economic Development



(Henssen & Williamson, 1990)

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Land Administration Theory

- Land Administration supports to Sustainable Development (Williamson, et al, 2010; Enemark et al, 2005).
- A good land administration contributes to economic development by:
 - Providing security to investors.
 - Permitting real estate to be traded in the market place.
 - Administering land and property taxes which **can lead to the collection of substantial revenue** (Dale and McLaughlin, 1999)
- A good land administration and secured tenure mobilizes hidden capital from land (de Soto, 2001).
- Presence of a good land administration [or security of land tenure] is responsible for a growth of 5.9% of the GDP in the Netherlands. (van der Molen, 2003).

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Land Tenure and Property Rights Theories

- Land tenure security supports to economic development by increasing
 - credit supply
 - investment demand and
 - agricultural productivity(Feder et al., 1987; Deininger and Jin, 2006; Smith, 2005)
- There will be a **causal connection between the set of property rights and its level of economic performance** (Reeve, 1986).
- The function of property rights is **to create incentives to use resource efficiently** (Posner, 1973).

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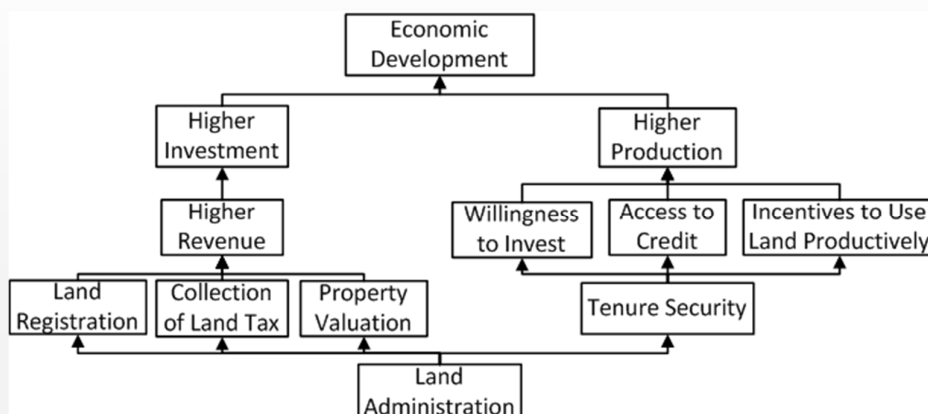
Development Theories

- ... **Capital can be generated from land to fund growth and development** (Griffith- Charles, 2004).
- Noneconomic institutional factors including the **nature of land tenure arrangements** should also be considered while analysing the development problems (Todaro & Smith, 2006).
- **Secured property rights and rule of the land** are the determinants of economic development which provide an **institutional framework conducive to growth** (Thirlwall, 2011).

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Conceptual Framework



- Thus, land administration supports to economic development mainly in two ways-
 - by increasing agricultural production through higher ability and willingness to invest and higher motivation for land use, and
 - by generating more revenue for the government through land registration, collection of land tax and property valuation.

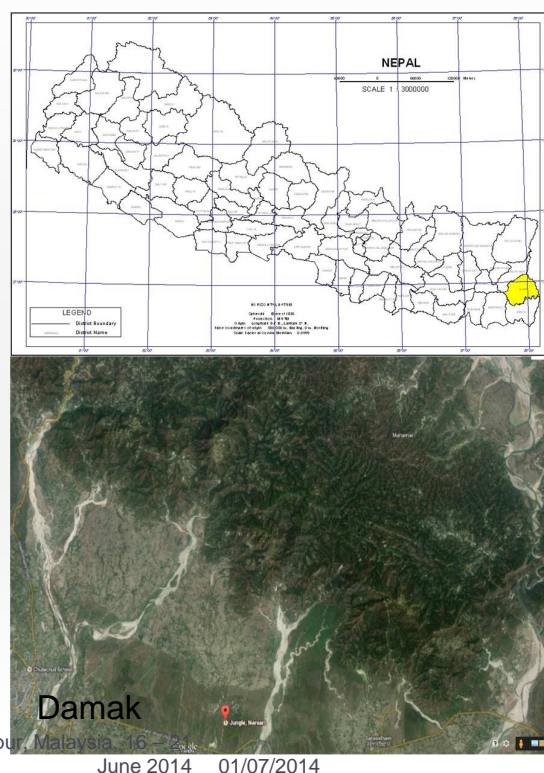
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ECONOMIC IMPACT OF PROPERTY FORMALIZATION IN CHULACHULI, NEPAL

Background

- The Chulachuli area of Ilam district, Eastern Nepal remained disputed for a long time as the government decided to build a **Green Belt** in 1970s and tried to evacuate the settlement offering landowners some compensation.
- Various efforts were done by the government to resolve the dispute. However, the 23rd Committee formed in 2007 became successful to solve the problem which registered land in the name of 4,918 applicants during 2008 and 2011.



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Rights & Risks

- Main property rights enjoyed by the landowners after registration of land:
 - Ownership
 - Sale & transfer
 - Access to loan from banking sector
 - Lease
 - Use of production
- Risks lowered after registration of land:
 - Risks of losing their land
 - Risks of acquisition of land by the government without fair compensation

Land Use

Land Use	Percent of Respondents	
	Before Registration	After registration
Shelter	91	92
Agriculture	98	89
Commercial	4	9

Number of respondents using land for shelter and commercial purpose is increased and that of agriculture is increased.

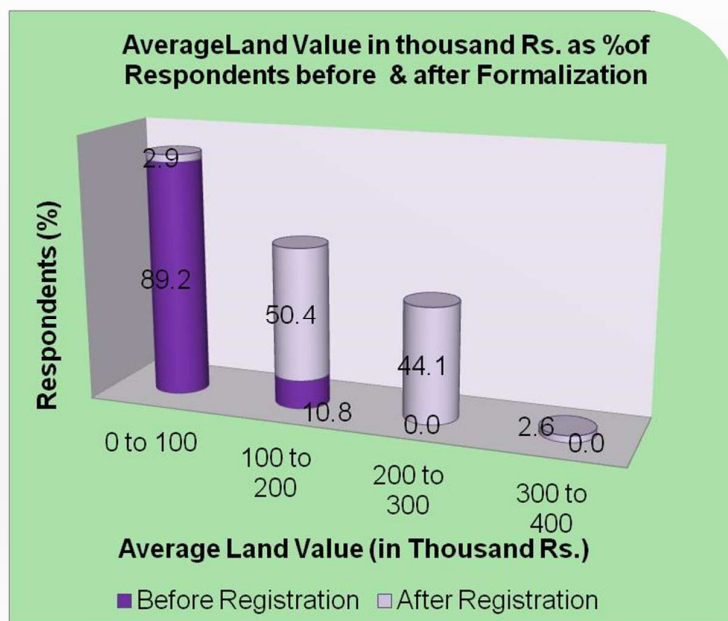
Changes on Land-Related Activities

Number of respondents engaged in following activities are increased remarkably after registration of land:

- Renovating houses
- Land levelling
- Planting fruits and trees
- Fencing
- Constructing irrigation canal to their land
- Using new tools and techniques of agriculture

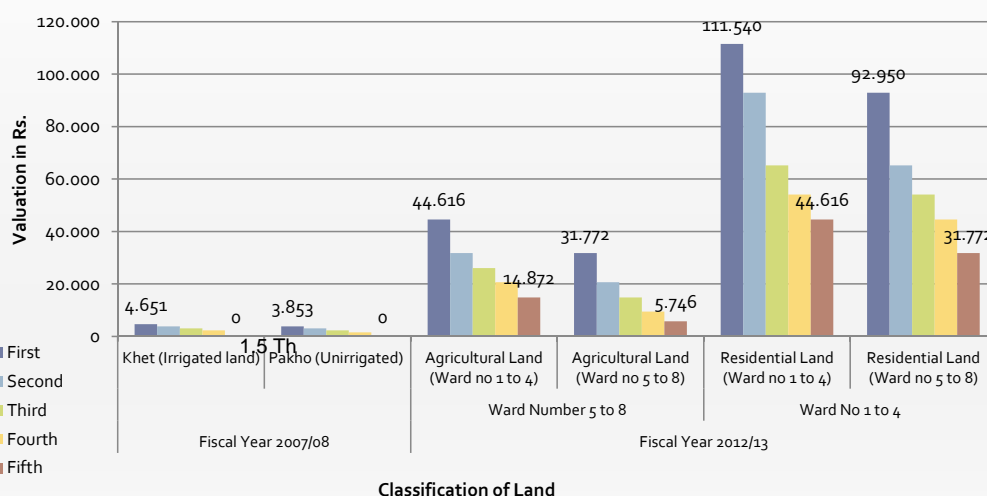
Land Value

Average land value before formalization was Rs. 60.7 thousands which increased by **323** percent and reached to Rs. **196.5** thousand.



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Valuation of Land

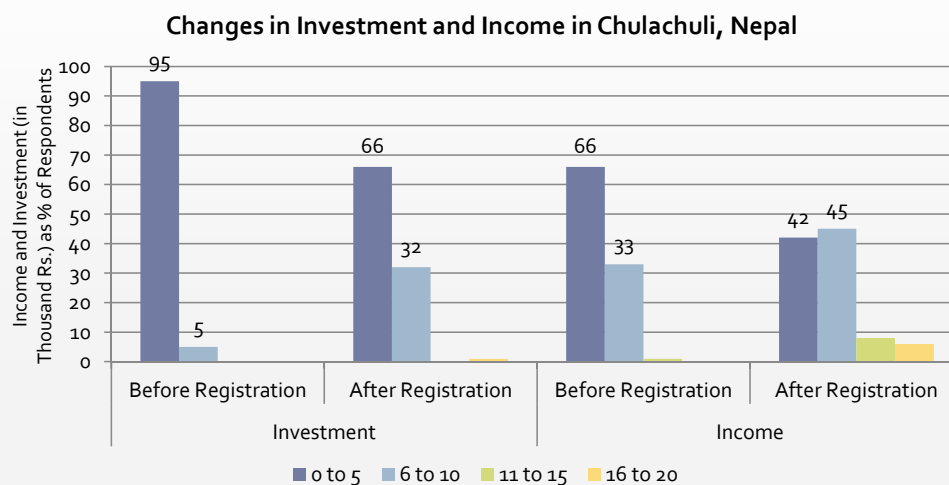


Valuation of residential land increased by up to **24** and **20** times than that of 2007/08 in Ward Number 1 to 4 and 5 to 8 respectively.

Valuation of first category of agricultural land in Ward Numbers 1 to 4 and 5 to 8 is increased by around **9** and **7** times respectively from that of highest category of land in the year 2007/08.

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Investment & Income



Investment & Income	Before Registration *	After Registration*	% Change
Average Investment	2.7	4.3	160
Average Income	4.3	6.4	149

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Correlation of Property Rights with Investment, Income and Land Value

Variables	Rights	Land Value	Investment	Income
Rights	1			
Land Value	0.685***	1		
Investment	0.219***	0.343***	1	
Income	0.199***	0.229***	0.391***	1

*** denotes significant relation at 1 percent level

One Way ANOVA with Property Rights

		Sum of Squares	df	Mean Square	F	Sig.
Land Value	Between Groups	2.104E12	1	2.104E12	669.755	.000
	Within Groups	2.388E12	760	3.142E9		
	Total	4.492E12	761			
Investment	Between Groups	1.918E8	1	1.918E8	38.045	.000
	Within Groups	3.831E9	760	5040310.148		
	Total	4.022E9	761			
Income	Between Groups	1.709E8	1	1.709E8	31.065	.000
	Within Groups	4.181E9	760	5501879.342		
	Total	4.352E9	761			

High F Value & $p < .05$ shows there is significant difference between means.

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Conclusion

- After registration of land
 - Property rights are more secured.
 - Land use pattern and land related activities are slightly changed
 - Land value, investment and income increased considerably after registration of land. They are positively correlated with property rights.
- Thus, land tenure security has increased agriculture production.



Thank you

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