

Analyzing the Forces of Real Estate Megaprojects in India

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Abstract: Urbanization as an outcome of economic liberalization and globalization has prompted the production and promotion of large integrated townships in India. This paper examines various forces for developing private sector-led urban development projects in India. I assert that these include diverse reasons varying from the global, provincial and local scale that can aid in describing the expansion of these megaprojects in India. These fast-growing real estate megaprojects have created a huge demand for property in peripheral locations of big cities prompting commoditization and monetization of land. The expansion of large-scale, for-profit real estate megaprojects has led to the privatization of urban space. The pragmatic analysis was derived from interviews with town planning officials, urban planning professionals, user groups, and developers with relevant published literature in journal articles and books. The expansion of large-scale urban integrated megaprojects in India necessitates a multi-scale examination of the interactions between the market, state, and society. This paper propagates a more holistic planning approach for spreading the benefits of large-scale private sector-led urban development projects among diverse socio-economic groups.

Index Terms - Private urban development, economic liberalization, globalization, urban reforms, urbanization.

I. INTRODUCTION

Various factors are accountable for the growth of market-driven "private sector-led urban development projects" in India. The government's push to deregulate the economy through economic reforms and urban reforms involves the private sector, globalization, reduction in government control, fiscal austerity, the facilitation of foreign investment for Non-Resident Indians, opening of overseas capital investment in housing, credit deregulation through banking reforms, and the emergence of middle-class. Following the early 1990s economic liberalization program, a significant visible outcome has been the changing character of Indian cities. With the continued urban population growth, especially the middle class, liberalization reforms, and the advent of investment domestically and abroad, metropolitan India needs better infrastructure, governance, and land and property development. Demand has been observed to increase, leading to a rise in real estate investment (Chaudhary, 2007). Additionally, the Indian government has relaxed private and overseas property funding to promote domestic and transnational participation in urban development. Over the last three decades, the government has changed its priorities, creating a good atmosphere for the involvement of the corporate sector in infrastructure and housing provision (Banerjee-Guha, 2009).

The structure of this article is as follows: the opening section discusses globalization and neo-liberalization; then, it discusses economic liberalization in India. The subsequent section examines various urban-level reforms followed by urbanization in India. The next two parts highlight how expanding globalization, the 1991 economic reforms, urban reforms, and the state's embrace of neoliberal policies had twin opposing outcomes on urban government and the rise of private sector-led urban development projects in India. Alongside, cities have grown more enterprising to draw investments, yet neo-liberalization has eroded the state's role, which has led to the privatization of planning and demand for such space.

II. MATERIAL AND METHOD

Various forces for developing large-scale real estate projects in India have been examined in this paper. The growth of such projects is not a secluded process of urban transformation. The study investigations were derived from interviews with town planning officials, urban planning professionals, user groups, and developers in the form of primary data. It uses secondary sources like relevant published literature in journal articles, books, census data, research reports, and published material. Then after that, a synthesis of data was done to conclude.

Various factors of varied scales spanning from global to local can help to explain the development of large-scale real estate projects in India. The global economy's shift toward ever-greater neoliberal globalization has resulted in more unfettered money flows worldwide. As a result, national and local governments have been driven to be entrepreneurial, competing amid other cities to draw overseas capital (Hall and Hubbard, 1998). Simultaneously, neo-liberalization has derived from the state's weakness, giving the private sector more control in city planning and management (Percival, 2012). Furthermore, there is a need for a rising middle class with a desire for social class segregation, which developers are exploiting.

3.1 Globalization and neo-liberalization

Globalization has become more widespread since the 1970s, with the rise of globalization as neo-globalization has facilitated free capital movement and downsized state authority over the market (Peck and Tickell, 2002). Neo-liberalism relies on the idea that the most exemplary method to achieve financial progress is to have open and uncontrolled markets free of state intervention. Keynesian principles of command over the liberated movement of funds and redistributive fairness conversely predominated prior to the 1970s (Harvey, 2006). Neoliberal principles have aided economic globalization by facilitating global investment capital flows, significantly impacting city development (Yeates, 2002).

Since the commencement of the financial reforms in 1991, the national economy has been further exposed to overseas capital sway. With the legalization of privately held firms and an open-door policy toward FDI, these reforms aimed to develop a capitalist market economy.

3.2 Economic liberalization in India

After independence, India adopted a welfare state model of governance, with a state monopoly of resources, redistribution, and intervention at national and local government levels through central planning as a reminder of the exploitative colonial past. 1991 can be treated as a 'landmark' to the Indian economy when the government undertook large-scale structural adjustment programs (Chadhchan and Shankar, 2012). These include economic liberalization, privatization, deregulation, globalization, and intensifying the role of the private sector in all sectors of the economy, together with the reduction in government spending (Sivaramkrishnan, 2011). First, a novel group of actors entered the real estate market following liberalization, and transnational companies established their offices in and around Delhi. Indian Diasporas, outsourcing companies, and IT firms created unexpected demand for space that exceeded supply (Searle, 2013). Second, private developers have benefited from government policy shifts towards private construction. While real estate companies have long existed in India, state and municipal bodies have historically restricted the business of private sector enterprises. By developing market-determined instruments of urban reforms linked with a grant of central funding and encouraging corporate and overseas funding in urban infrastructure, initiatives like the "Jawaharlal Nehru National Urban Renewal Mission" were started (Sivaramkrishnan, 2011). Therefore, the function of property developers has shifted significantly, and supporting sectors such as mortgages, real estate media, real estate experts, foreign construction products, and home goods have expanded.

3.3 Urban Reforms in India

The constitutions' 74th Amendment Act of 1992 was the foremost significant reform. While its passage emerges to have had little to do with any conscious effort to reform urban governance for an era of liberalization, the amendment describes municipalities were provided with significant powers and income sources for the first time, in addition to a democratic and decentralized governance structure (Weinstein, 2014). Scholars asserted that the lack of punishment against states for nonconformity had led many provincial governments to guard their powers over urban governance by dragging their feet in implementing key provisions of the amendment (Dupont, 2007). In the 1990s, the state-dominated model of city development crumbled as government and parastatal agencies, with the support of the federal government, established city development to the corporate sector and repealed acts like the "Urban Land (Ceiling and Regulation) Act" of 1976 that restricted ownership of unoccupied land by individuals in large cities, and restructuring in rent control acts, which froze rent prices (Acharya, 1987).

Thirdly, thousands of acres of farming land have been appropriated and sold to the private sector to create Special Economic Zones (SEZs) since the Act's passage in 2005. According to Industry and Commerce Ministry, 408 SEZs have been principally permitted as of January 2014, with the majority located in states like Karnataka, Maharashtra, and Andhra Pradesh (Government of India, 2014). Due to many lawsuits still pending in courts over land procurement and other problems, most of these projects are still unfinished (Weinstein et al., 2013). Fourth, through revision of industrial policy, especially administering large industrial estates like textile mill complexes of Mumbai and Kolkata, which earlier acquired land from individual property-owners/peasants for building industries and factory workers accommodation, is now being re-zoned and grant for sale (Weinstein et al., 2013).

3.4 India's urban turn

India's relationship with urbanization has been devious in the early years of independence. Historian Janki Nair (2005) argues that the city had a fugacious inherency in modern India, the cultural, political, and sociological imagination. Khilnani (1999) argues that after independence, Nehru sought to transform cities into an engine that would propel the country into the modern world through industrialization. However, there was a low rate of urban population growth compared to average global rates in the years that followed, this marginal increase added to a significant escalation in India's urban populace due to its large number of inhabitants. Indian urbanization in the 21st century has been characterized by the frequently aggressive growth of urban limits. The concept of a "world-class city" has arisen as a hazy but politically robust and standardized picture of the potential metropolis during this shift. This vision develops when national economic growth is increasingly reliant on cities, and it anticipates the development of world-class services and infrastructure to allow connections with global capital networks. For example, as part of its preparations to host the "Commonwealth Games" in 2010, Delhi stated its intention to become a "world-class city". To dismiss visitors' first impression that India is a developing country, the government began diverting money away from housing, education, and medical facilities toward prominent modern infrastructure (Ghertner, 2011). While Delhi's transportation infrastructure improved considerably as an outcome of this strategy, the capital nevertheless saw roughly forty-five thousand residents become homeless in 2007 (Bhan, 2009). While Bangalore and Delhi have been hailed as evolving world-class cities, competition for urban space has grown significantly in the past two decades. Due to the political strength of its people, developers in Bombay have been unable to raze their way into revamping Dharavi (Weinstein, 2013).

Similarly, farmers' resistance and vote bank politics have frequently thwarted plans to transform Kolkata into a global Indian metropolis (Roy, 2011). The scholarly works in recent times have focused more on the issue of dispossession, protest, and resistance. Shatkin and Vidyarthi (2014) argued that the political economy of the Indian metropolis after economic liberalization is governed by two perspectives that are often strained in very extreme dissimilarity. The first contends that urban areas in India are changing like other capitalist countries as they embrace neoliberal governance forms that benefit business interests. The second argues that the geographical and political growths that have been witnessed in urban areas are unique. Plagued with inconsistencies and marked by persistent grassroots-level resistance, limiting the government's capacity to enforce its preferred social vision. However, urban areas and the procedures that shape them are now business strategy sites for transformation and contestation.

3.5 Entrepreneurial city and global city desire

Cities with a strong entrepreneurial spirit and a quest for global urban space are competing more than ever to attract money as an outcome of increased globalization (Jessop and Sum, 2000). Cities are now competing to attract financial and consumer flows into their jurisdictions. 'Urban entrepreneurialism' has been coined to describe this new way of government (Harvey, 1989). It is

often assumed that under an enterprising system, capital plays a more significant part than the local government, downgraded to a secondary function. The developmental and managerial administrations prioritize city infrastructure development to facilitate financial growth, but Keynesian community interests in developmental cities are virtually lacking. In India, several examples of the government's significant efforts to build a physical setting favorable to drawing international finances (Dupont, 2016). The instance reflects how the central government set out to build a global city with a series of "urban megaprojects" and privatized infrastructural improvements. The negative repercussions of globalization, conversely, have not gone unnoticed. The state can serve as a facilitator by favorable engineering conditions for investors. This is especially true in developing countries when the government lacks the monetary means to support infrastructure initiatives like the ones outlined above. Governments consider foreign capital flows the most desirable way to stimulate economic growth. Private cities are experiencing a similar economic climate. In some cases, governments will explore them openly, while in other cases, the state may endorse them as their potential to attract more investment.

3.6 Privatization of planning

The private sector has steadily claimed responsibilities that were previously the duties of municipalities, as evidenced by public-private partnerships for infrastructure networks and transportation projects, but creating private cities, where the whole metropolitan system is envisioned, built, and controlled by the corporate sector, is the most extreme example. These private-sector projects worsen wealth-related urban demographic segregation (Shatkin, 2017). Private enterprises are delivering high-quality infrastructural services, which is not the true in the remaining areas of the city, where basic municipal facilities such as piped water supply, are not up to par if there is any water supply at all. As the middle classes attain services from private enterprises, the local government fails to get possible income from deep-pocket clients; the disparity of admission to city space and services becomes a vicious circle. Furthermore, the political impetus to develop public infrastructure is diminished because the private sector already looks after people in the most powerful positions (Percival, 2012).

3.7 Demand factors: segregation based on wealth

The elite groups can dwell in isolated spaces...introverted from the more incredible urban structure resulting in a paucity of links. The approach has been argued by Shatkin (2008) as 'bypass-implant urbanization'. Creating new areas for capital accumulation that are designed to 'bypass' the congested arteries of the public city to consumerism and export-based construction, giving private developers considerable authority, the author argues against a dull administration. In India, income inequality increased, and spending and wealth inequality increased dramatically. Wealth and consumption data from the National Sample Survey reveal an increasing focus on the upper end of allocation at the cost of the remaining population. The prosperity of the top 10 percent in India has increased from 52 percent in 1992 to 63 percent in 2012. The utilization share of the top 10 percent has increased from 27 percent to 31 percent between 1993-1994 and 2011-2012 (Chancel and Piketty, 2017). The tendency to acquire, use and distribute wealth reflects a changing pattern over time and across space. In metropolitan areas, the population concentration has increased. The fear of crime has increased the demand for enclave projects due to rising inequality.

IV. CONCLUSION

Various factors that influenced the development of large-scale "private sector-led urban development projects" in India have been examined in this paper. These include the globalization of financial capital along with superfluous urban models and imagery (rhetoric of making cities world-class) and the consequent want of cities to draw this global mobile capital (foreign direct investment) into their region. With a weak state, which cannot finance large infrastructure projects with urban local bodies' budgets, the corporate sector is left to fill roles conventionally played by the government since both natural and speculative demand is a significant factor.

The demand can be divided into factors that push and pull people: the former include poor air quality and space crunch in core city areas. In contrast, the latter includes perceptions of the urban area regarding infrastructure and better quality of life. This result in segregation based on elitism and the desire for exclusivity, security, social homogeneity, and a withdrawal from the old city traffic congestion, pollution, and corrupt, slow and inefficient municipal government. These forces have created a massive demand for integrated townships in India's peripheral areas of urban areas. Private sector-led urban development projects primarily include middle and higher-income groups at the cost of excluding low-income communities. This paper propagates a more holistic planning approach for spreading the benefits of large-scale private sector-led urban development projects among diverse socio-economic groups.

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