# PUBLIC WEALTH MONETISATION REPORT

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# Introduction

The government of India is the largest owner of the wealth in India. It controls vast resources at its disposal including the thousands of hectares of public lands, lakhs of crores of mineral, offshore resources, and through its stake in about 300 Central Public-Sector Undertakings. Even as the government legally owns these resources, they belong to the people.[1] The government is the trustee of the wealth of India for the benefit of the people.

Although our wealth should be used for the benefit of the people as per the constitutional mandate of the government[2], in seven decades of independence, we have barely derived any returns from our public wealth. Instead, this wealth has continuously been abused, misused, or underused by politicians, bureaucrats, and cronies.

The public wealth of India is at least ₹1340 lakh crore[3] according to Nayi Disha estimates. Out of that, ₹1000 lakh crore is the mineral wealth of the country and the rest is the expected value of unused land parcels that are under government control. The amount of known public wealth equals to over ₹50 lakh for every Indian family of five people.

Given the failure of the Indian state to manage the public wealth for the benefit of people, it is time for us to demand that this wealth be returned to its rightful owners. It will allow the government to focus on its core functions such as upholding the rule of law, providing public infrastructure, and maintaining national defence. These essential functions of the state have been mostly neglected since independence. India's state machinery is woefully inadequate to maintain law and order. Only with limited and strong governments at centre and local levels, we will be able to live in a free and prosperous country that our forefathers fought for.

The return of public wealth will also have a great positive impact on the Indian economy. It will increase spending in developing human capital through increased investment in health and education of our future generations. Our entrepreneurs will also have the capital to start new businesses and create jobs for millions of Indians. Public wealth return will also act as a safety net for 30+ crore poor who continue to live in sub-human conditions.

With ownership of ₹50 lakh in wealth, no Indian family should be forced to live in poverty. The basic means of subsistence must be made available to every Indian by Dhan Vapasi – the return of public wealth to its owners.

It is important to note that even though public wealth includes common resources such as roads, government offices, airports, etc. our focus in this report is on the commercial assets, such as land and mineral resources, of the governments that are currently unused or underused.

## How Much is India's Public Wealth?

India is one of the richest countries in terms of mineral wealth and other natural endowments.[4] We have some of the largest reserves of coal, limestone, precious metals, and gemstones. Analysts have estimated the mineral wealth of India to be more than ₹5000 lakh crore.[5]

Even if we take a very conservative value of 20 percent of the minerals (₹1000 lakh crore), accounting for price fluctuations, cost of extraction, transportation, refining, marketing, etc. our government still holds more than ₹8 lakh per Indian in mineral wealth. In addition, according to our estimates[6], the total value of surplus public land is about ₹340 lakh crore which amounts to ₹2.5 lakh per Indian.[7]

**Public Wealth of India - Estimates**

| Resource | Total value (in ₹ lakh crore) | Per capita value (in ₹ lakh) |
|---|---|---|
| Minerals | 1000 | 8 |
| Public land | 340 | 2.5 |
| Total | 1340 | 10.5 |

Apart from above, most of the Public Sector Undertakings (PSUs) in India are engaged in providing goods and services that can be taken care of by the private sector, such as fertilisers, incense, rickshaws, hotels, textiles, tea, mutual funds, petrol, broadband, coal, fighter jets and even sex toys among other things. According to the Economist[8], the combined wealth of these PSUs is estimated to be ₹31 lakh crore. Leaving out corporations that are essential for national defence and internal security of the country, the public could gain at least ₹25 lakh crore by selling these corporations.

## Public Wealth Return – An Idea Whose Time Has Come

Given the mismanagement and abuse of public wealth, the time has finally come for us to demand that the government of India returns the wealth which is rightfully ours. Our wealth can be best managed by us because we know what we want better than any politician or bureaucrat.

The government must sell its excess resources and return the share of public wealth to every Indian by returning ₹1 lakh per household per year. Considering the problems of weak governance and lack of an efficient legal system, and the long-term benefits of investment in health and education of children, public wealth return is the best choice for India. The return of public wealth will provide the investments in human capital that we desperately need.

It is a known fact that the investment in education, health, and nutrition at an early age is irreplaceable and has a very high impact on the growth of an individual as well as the nation. Also, money in the hands of people now is much more important in comparison with the money that they may earn in future.

To have three meals a day, a poor person must not have to wait for 20 years for the government to earn profits from public wealth and then distribute it through the welfare system. If that had worked, we would have no poor people in the country. Additionally, the return of public wealth will provide much needed capital for entrepreneurs and enable them to create millions of new jobs and opportunities with more efficient and effective utilisation of their wealth.

## What will we achieve with public wealth return?

Sale and subsequent return of public wealth will have an enormous positive impact on the growth prospects of the country. Citizens will benefit directly from the return of wealth, the government will receive more tax revenue because of the increased economic activity. It will also allow the government to focus on providing public goods like rule of law and infrastructure. Businesses will benefit from reduced cost of production and a bigger consumer base. Let us have a look at some other positive impacts of the sale of public wealth.

### Intragenerational Equity

Given the history of the zamindari system and caste differences that have existed through the ages, very high levels of inequalities exist in India. In the last 70 years, we have tried to rectify the past injustices with reservations in government jobs and higher education or with an inefficient welfare system. All these efforts have failed to achieve their intended goals.

India still has the largest population of poor people living under the poverty line with elevated levels of inequality. Our country ranks 77 out of 176 countries on the GINI index.[9] The return of the wealth to the people, which is often taken from them by unjust means, must be returned to rectify the mistakes of the past. It is the most transparent, efficient, and accountable solution for putting India on an irreversible path to prosperity.

### Elimination of poverty

According to the Tendulkar Committee Report, 22% of Indians live below the poverty line.[10] The Economic Survey points out how a Universal Basic Income (UBI) could yield significant gains - “Conditional on the presence of a well-functioning financial system, a Universal Basic Income may simply be the fastest way of reducing poverty. UBI is also, paradoxically, more feasible in a country like India, where it can be pegged at relatively low levels of income but still yield immense welfare gains.”[11]

The return of public wealth is similar to UBI, the only difference is the source of funds. Indians are not rich enough to fund such a scheme with taxes and thus the money for redistribution must come from a gradual sale of public wealth. The wealth return will eliminate poverty as everyone will have enough resources to meet their basic needs.

## Reduction in government waste

The government of India can make immense savings from the public wealth return. These savings will come from the reduction in the size of government through the elimination of various departments as well as by ending all subsidies which citizens will no longer need.

There are about 950 schemes run or sponsored by central government amounting to about 5% of GDP[12]. The elimination of these schemes, in conjugation with the removal of similar schemes at state and local levels, will save large sums that could be used to enhance the core functions of the Indian state. The removal of subsidies will save billions of dollars to the government, inducing the government to reduce both direct and indirect taxes. Even without public wealth return, the use of Direct Benefit Transfer scheme used in various subsidy programmes has saved the central government ₹57,000 crores.[13]

## Economic Growth

With the government reducing its role in the management of the public wealth resources, it can focus on its core activities such as law and order, contract enforcement etc. This will have considerable positive effects on the economy. Transfer of wealth will have a twofold impact on the growth prospects of the economy.

1. Increase in the levels of Savings and Investment – The money received as proceeds from the public wealth can be put to savings by individual households. This saving will get channelised to productive investment by the banking institutions in the economy.
2. The money transfer also increases the personal disposable income of individuals. This income can be used for various purposes including human resource formation and skill development.

Additionally, wealth return will reduce the cost of production as the price of land, one of the key necessities for production will decrease due to the sale of the government-owned real estate. This in turn, would lead to a reduction in the prices of goods and services Indians face severe shortcomings with respect to living standards, healthcare, and education among other things. There is robust evidence on the positive impact of unconditional cash transfers on the social well-being of individuals. A higher disposable income from the return of public wealth would allow individuals to have more choices as well.

## How would Public Wealth Return Take Place?

The gradual sale and subsequent return of public wealth is more a question of political will than that of the mechanism. As far as legal provisions and policies are concerned, the sale of public wealth would not be hard to administer for an elected government, especially when we already have an established mechanism to sell or lease public wealth under various laws like the Mines and Minerals (Development and Regulations) Act, 1957 which allows the government to monetise its mineral wealth for periods extending to 50 years. With minor changes in the law, this sale could be easily extended for perpetual use by private persons or communities who will be able to transfer the ownership of the resources as and when necessary.

Further, most of the Public-Sector Undertakings can sell the resources owned by them at will because they are registered companies and enjoy all the rights and privileges granted to a private company when it comes to management of wealth. In addition, certain ministries of the central government, such as Railways and Defence, already have an established procedure for monetising their excess land and surplus resources for various public and commercial purposes. These transactions are governed as per the provisions of the existing central and state laws.

However, the existing legal and policy environment in India is not conducive for such a large-scale exercise to completely overhaul the use of public wealth. Several reforms will be needed to achieve the dual aim of monetising public wealth and returning public wealth to every Indian. A non-exhaustive list of the proposed reforms is as follows –

## Removal of License, Permit, Quota Raj

While the liberalisation of the Indian economy removed many licences, permits, and quotas required before 1991; the same policies are not applied in every industry and at every level of government. Starting a business in India is still a challenge for entrepreneurs. Without reforming the system from within, additional capital in the hands of entrepreneurs is unlikely to be deployed fruitfully. The primary step in becoming a prosperous nation would be to get rid of all unnecessary regulations at all levels.

## Digitisation and record management

Except for a few government departments, there are no proper records of public wealth in India. The primary reform for returning public wealth would be to carry out an extensive survey using modern technology to assess the total wealth lying with the government and digitising all records with their proper monetary assessment by an independent auditor. This could be easily achieved by using geo-mapping technology already available with the Indian Space Research Organisation.

The digitisation of records, particularly of land resources, brings immense efficiency in the system. For example, the region of Punjab in Pakistan has managed to digitise all the land records under the "Land Records Management and Information System (LRMIS)" funded by the World Bank, thereby reducing the time needed for completing a land transfer from 2 months to under an hour.[14] On the same matrix, the most recent World Bank's Ease of Doing Business Report for 2018 noted that in Mumbai and Delhi transfer and registration of the property takes an average of 53 days as per the official procedures.[15] The government of Bangladesh has also taken up digitising the land records for ensuring efficiency and reducing corruption in the transfer of land. The same could be applied in India to create a concise database of land titles.

## Robust framework for property rights

The Constitution of India originally recognised the right to property as a fundamental right which could not be taken away by the state. However, in the first few decades after the independence, both the legislature and the judiciary gradually diluted this right to allow the redistribution of land by states.

Presently, the right to property in India is protected by Article 300A, which stipulates that no person can be deprived of his property unless the government enacts a law for that. Thus, the governments in India are free to take away the property of an individual as long as a law is passed to that effect. As most of the public wealth is in the form of land and mineral resources, well defined and enforceable property rights are crucial to the success of this project.

## Titling reforms

Along with reforming property rights, an efficient and transparent facilitation of any transaction of public wealth would not be realistic without an organised and easily accessible titling system. Lack of a clear title to any resource, especially limited resources such as land and minerals, creates barriers for its efficient use, and future transfer.

A robust legal framework for granting of legitimate rights to owners of land parcels and other resources (such as spectrum, mines etc) via a legally protected title are quintessential for carrying out the proposed reforms. Titling system would bring much-needed transparency in deals involving land and mineral resources, wherein many unlawful transactions usually take place. The titling reforms would also make it easier for individuals and businesses to efficiently trade in valuable resources while bringing transparency in the system.

## Judicial reforms

The Indian judicial system is painfully slow, with the average case pending for more than 19 months in the higher judiciary.[16] Further, about 2.7 crore cases are pending nationwide.[17] Apart from pendency, corruption in the judiciary is a major issue. According to a survey conducted by CMS India, a think-tank, 18% households reported experiencing corruption in obtaining judicial services.[18]

The slow judicial process imposes prohibitory costs on individuals and businesses. Enforcement of a simple contract in Mumbai and Delhi takes 1445 days (nearly four years) according to the Doing Business Report 2018 by the World Bank.[19] Given the slow, corrupt, and inefficient judicial system, drastic reforms are urgently needed and should be carried out simultaneously with the sale of public wealth.

The foremost reform should be to fill the vacancy in the judiciary and have a uniform case record management system across the country. India needs 60,000 judges; however, as of January 2016, there were only 16,119 judges in the subordinate judiciary, 598 in high courts and 26 in the Supreme Court according to Court News, a Supreme Court publication.[20] Also, with use of technology, most of the paperwork in the courts must be changed to electronic formats.

In conjugation with these reforms, many other economic reforms would be required. A central and publicly available database of all the excessive resources of the government should be created. Afterward, a special purpose vehicle should be set up to categorize these resources and monetise them one by one.

## Conclusion

The sale must be done gradually so as not to distort the functioning markets in land, minerals, and other forms of wealth. There is a genuine concern that even a phased sale of public wealth may depress prices, particularly of land. This scenario is unlikely if the reforms related to property rights, titling, and judiciary are carried on simultaneously. With these reforms, foreign investments in India would increase, along with the domestic demand for resources. This increased demand will keep the prices stable.

Since independence, India's rulers have become rich, but not its people. It is time to change that. As noted above, the governments in India are sitting on an unimaginable amount of wealth and yet we remain one of the poorest people in the world. The time has come for us to reject 70 years of oppression in 'free' India and demand our rightful wealth from the government. Our public wealth is not a curse, it is a blessing for us and should be used for the sake of the hopes of our children.

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[1] The Hon'ble Supreme Court has opined that - "*Natural resources belong to the people but the State legally owns them on behalf of its people.*" in Centre for Public Interest Litigation and Others v. Union of India and Others, Writ Petition (Civil) No. 423 of 2010

[2] Article 39(b) of the Constitution states – *"The State shall, in particular, direct its policy towards securing … that the ownership and control of the material resources of the community are so distributed as best to subserve the common good."*

[3] A conservative estimate derived from taking the total value of unused public lands and 20 percent value of the total mineral wealth of India.

[4] Among minerals, India ranks 1st in world production of garnet and iron oxide pigments; 2nd in cement and graphite; 3rd in chromium, lime, nitrogen, and pig iron; 4th in crude steel and iron ore. Renaud, K. M. (2014). *The Mineral Industry of India* (United States Geological Survey). Retrieved December 20, 2017, from https://minerals.usgs.gov/minerals/pubs/country/2014/myb3-2014-in.pdf

[5] Kundu, Sridhar. *A Note on the Estimated Value of Government-Owned Natural Resources in India*. Report. January 2014. Accessed April 13, 2018. http://www.cbgaindia.org/wp-content/uploads/2016/03/Estimated-Value-of-Government-Owned-Natural-Resources-in-India.pdf.

[6] Please check our public wealth wiki at publicwealthwiki.nayidisha.com to see how this sum was calculated.

[7] Calculated by using a conservative Floor Space Index (FSI) of 1. FSI is the ratio between the area of a covered floor space (built-up area) to the area of that plot on which a building stands. An index of 1 implies that the total covered floor space is 1000 Sq. Ft. on a plot of 1000 Sq. Ft. The FSI in New Delhi ranges from 1.2 to 3.5 meaning that 1200 to 3500 Sq. Ft. of floor space is available for every 1000 Sq. Ft. plot there.

[8] The Economist. (2017, June 1). Most of India's state-owned firms are ripe for sale or closure. The Economist. Retrieved December 20, 2017, from https://www.economist.com/news/business/21722860-privatisation-and-politics-sit-poorly-together-most-indias-state-owned-firms-are-ripe

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[10] The Economic Survey of India, 2016-17, New Delhi: Ministry of Finance.

[11] Ibid.

[12] Ibid.

[13] Government saved Rs 57,000 crore through DBT scheme, says Ravi Shankar Prasad. (2017, September 15). Retrieved January 06, 2018, from https://economictimes.indiatimes.com/industry/banking/finance/government-saved-rs-57000-crore-through-dbt-scheme-says-ravi-shankar-prasad/articleshow/60530667.cms

[14] In Pakistan and Beyond, Land Records Get a Digital Upgrade. (2017, September 17). Retrieved December 18, 2017, from http://www.worldbank.org/en/news/feature/2017/09/20/in-pakistan-and-beyond-land-records-get-a-digital-upgrade

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[16] Law Commission of India (2014, July). *Arrears and Backlog: Creating Additional Judicial (wo)manpower* (Rep. No. 245). Retrieved December 22, 2017, from http://lawcommissionofindia.nic.in/reports/Report_No.245.pdf

[17] "Total Pending Cases Nationwide." NJDG | National Judicial Data Grid. April 16, 2018. Accessed April 16, 2018. http://njdg.ecourts.gov.in/njdg_public/main.php.

[18] (2017). *CMS-India Corruption Study 2017* (Rep.). Retrieved December 29, 2017, from http://cmsindia.org/sites/default/files/Monograph_ICS_2017.pdf

[19] Supra note 15.

[20] Kumar, A. P. (2016, July 11). How many judges does India really need? Retrieved January 06, 2018, from http://www.livemint.com/Politics/3B97SMGhseobYhZ6qpAYoN/How-many-judges-does-India-really-need.html