

GENERATING REVENUES FROM PASSIVE ASSETS

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Large Organisations in the public sector, government undertakings, development authorities and urban local bodies acquire immovable over a period of time for a variety of purposes. These could be agricultural lands, urban lands, commercial & residential apartments, industrial estates, etc., With time, the list of such properties could become quite long and can even run into thousands in numbers. Over a period one often tends to lose track on these properties and their current status. These assets, which were originally meant to generate revenue, become a drain on the government bodies, which own them because of expenditure on maintenance and upkeep. These properties are rightly termed as "Passive Assets".

In a changing economic scenario, substantial investments are required in the development of infrastructure and facilities for improving the quality of life of the citizens. Funds available are normally scarce. Instead of resorting to borrowings and grants, there may be a simple but untapped potential in the form of these passive assets. The potential for revenue generation through these passive assets can run into crores of rupees if efficiently monitored. Many organisations do not know the minute details of the property they own because of incomplete records or lack of prioritisation and timely information. This leads to a dangerous situation where most government undertakings resort to borrowing without first exploiting their own passive assets. Re-organisation and prioritisation of these assets would enable resource mobilisation and revenue generation without levying additional tax, subsidies or borrowings. With government budgetary supports and grants dwindling, it is becoming increasingly important for organisations to look inwards for self-generation of financial resources with least cost of capital mobilisation. Detection of unrecorded properties and an efficient database and record of immovable properties would lead to prioritisation and revenue generation.

This would also be a starting point for valuing immovable property, which in turn would provide opening balance/revaluation required for double entry accounting by these government undertakings and municipal bodies.

The methodology required would be as follows:

- **Preliminary Situation Appraisal and Needs Assessment** - This would require understanding the organisation, existing property record maintenance and specific needs of the organisation.
- **Source Records** - Identification of records for immovable properties would vary from organisation to organisation. In the case of municipal body, it could be the revenue records, asset registers, patwari records, jamabandhi, etc. whereas in the case of Public Sector Undertakings it could be the title deeds, registers, etc.
- **Inventory Audit** - Once the records and methodology has been determined, these would require detailed audit of its records to determine their completeness. Care would be taken at this stage to also classify the various properties, which would determine their valuation. Details like status of litigation, occupation, area, zone, land usage, ratable value, encroachment, etc., would be determined.
- **Collection of Data and analysis** - Having designed the comprehensive format, available data would need to be translated into the formats designed after detailed analysis & classification.

- **Database Management** -The package would provide all the details & formats required by the client and provide the real value of the passive assets.
- **Prioritisation & Revenue Generation** - a scheme for revenue generation through JVs, Development or Disposal would need to be finalized depending on the market scenario and resource needs. This would enable the government organisations to generate resources, which could be used for other development activities.

An exercise on the lines suggested above may sound simple and a lay man would believe that the local bodies and development authorities would normally have a detailed prioritisation and control on their immovable assets. However, in reality the situation is quite different. With increasing numbers even a valuable portfolio of thousands of properties needs to be reorganized and closely monitored. It is no different from an investment portfolio except that probably each asset here is more valuable.

For such an exercise, the Chartered Accountants would probably be amongst the best suited, having the right experience in inventory and database analysis and this could create a new area of work for them.

This approach is in line with my belief, which has also been reflected in my earlier columns that while we are looking at a number of big projects and complicated solutions for infrastructure development, many of our existing problems and constraints can be resolved through providing simple solutions. This is another step towards institutional reforms and self-sustainability.