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Original Article

Assessing the Socio-Economic Impact of National Highway Development on Small Food Outlets and Retail Establishments in Semi-Urban and Rural India: A Critical Insight

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Abstract - *The paper analyses the positive and negative linkages with respect to highway development, along with the relevance of various economic theories, namely the theory of Eminent Domain, the Pareto Optimality theory, and the Kaldor-Hicks criterion, in its construction and welfare impact. Both primary and secondary data that were collected indicated that the positive impact was far greater than the negative impact. The primary data specified the discontentment in terms of sales and revenue of the establishments positioned on the highway before it was built. This may be a very small portion of the total, but as these inhabitants are from the marginalised sections of the Indian economy, it is imperative that their well-being is taken care of. The government has adopted various laws and legislations, but must ensure their correct implementation and the best possible solution for this section of society.*

Keywords *- Pareto Optimality Theory, Theory of Eminent Domain, Kaldor-Hicks Criterion, Land Acquisition, Highway, Retail Stores, Land Acquisition Compensation.*

1. Introduction

Highways are vital infrastructural facilities for the community and the economy. They exhibit growth, reduced travel time, employment opportunities, and greater connectivity. However, businesses bypassed by highways and flyovers face challenges due to footfall reduction. These bypassed roads and flyovers have caused reduced footfall and a reduction in business volumes for small to medium communities. [1]

A new bypass has the ability to impact the aggregate level of economic activities within a community. This can include a rise in the industrial and commercial activities, particularly for retail or service businesses, including dhabas, roadside shops, etc.

The bypass may become a prime business location site. It could provide a greater connectivity of customers to the highway area, thus attracting new businesses and leading to relocation of businesses close to the highway, increasing visibility and customers. There is a possibility that, due to fast-flowing traffic on the highway, small outlets may not attract a large number of customers unless there is a cluster of shops that primarily include eating places. If the highway attracts a lot of road traffic, then the opening up of various restaurants with clean washroom facilities would automatically attract customers. This would promote small shops like tyre repair shops, play areas for small children, and other associated food stalls, rather than the normal FMCG products. The original small outlets, which catered to truck traffic and hardware shops that stocked products required for construction, which was rampant in the area, may eventually lead to an organised system of a cluster of outlets catering to new demands. Ultimately, this would lead to a fall in the demand for the shops that might have existed earlier. [2]

Redevelopment construction can lead to various challenges for the retail store owners and inhabitants near the highway. Immigrant-owned small businesses that have access to fewer resources than other big multinational or franchise firms are eventually being bought out by them. The impacts of construction of these highways and flyovers on the surrounding retail stores and inhabitants include: noise, reduction in customers, decrease in demand and profits for the original small outlets as the demand for their products decreases due to a different set of customers that are allured to the new facilities, etc.

1.1. Research Gap and Methodology

The primary aim of the paper is to analyse the impact of highway development on existing small establishments. In what manner do these shops address the different types of clientele that are expected with the opening of the highway for vehicular traffic? How do these small outlets manage their finances and living? In what way does the government help in addressing their concerns? The analysis of the above would be attempted to be addressed by both primary and secondary data. The methodology adopted would be of a mixed method type, where authentic secondary sources would be studied along with primary data to understand the impact of the building of highways on various establishments and living standards. It is possible that the location of the highway may impact these establishments in different ways.

1.2. Problem Statement

Although highways contribute significantly to economic growth and connectivity, their medium- to long-term socio-economic impacts on surrounding rural communities remain insufficiently examined. Existing research often emphasises aggregate implications, not taking into account the impact on the marginalised sections of society. This gap restricts policymakers' ability to design fair compensation and livelihood provision measures. Thus, this study investigates the socio-economic impacts of highway construction on rural landowners and shopkeepers using quantitative and qualitative data to provide a more comprehensive understanding of infrastructure-driven change.

2. Issues That Need to be Addressed While Constructing Highways

During the construction of highways, the nearby storeowners and inhabitants have rights and responsibilities. In order to reduce interruptions in development during the construction process, small-scale businesses and retail shops require help and assistance. Highways must be constructed responsibly in a manner that compensates small-scale businesses. The construction must provide support to the retail store and 'dhaba' owners before, during, and after construction. Local forms of governance and municipalities must keep the owners informed and updated regarding receiving assistance during and after construction. As most highways in India run through agricultural land, the government has instituted a system of compensation to the owners of the land on which the highways pass. If the small retail outlets are being run by the owners who are farmers or their extended family, then it is likely that they would be adequately compensated, but if the outlet is rented, then the extent of compensation would be subject to the terms of the contract between the owner and the tenant.

3. Timeline of Compensation and Land Acquisition by the Government of India

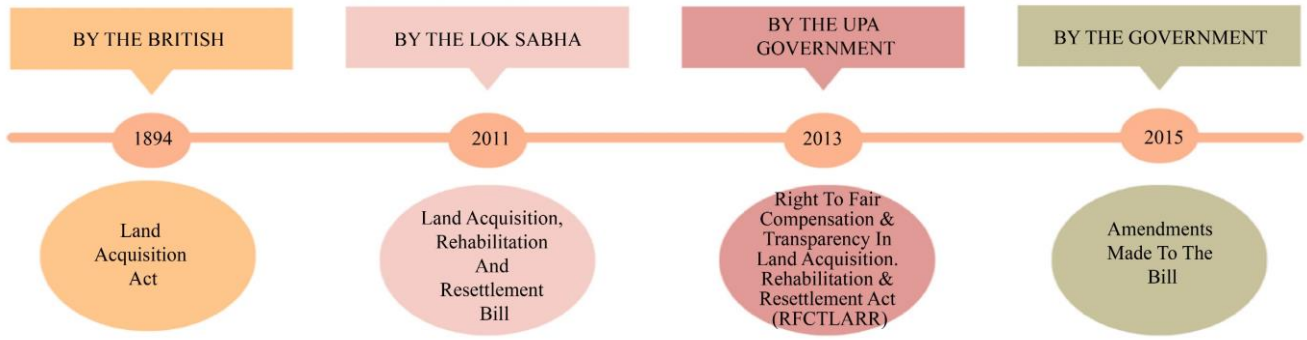

Fig. 1 Acts Passed by the Governments

3.1. Reasons why the Government of India wants to Acquire Land

The Government of India acquires land for various purposes for national development and welfare. The primary reason for land acquisition by the government is "Public Purpose" (defined in the Land Acquisition Act, 2013). This includes [3]:

1. National Security and Defence: The government acquires land to provide facilities for the army, navy, air force, central paramilitary forces, and forces for the overall protection of the country. A few notable examples include the National Defence Academy (NDA) in Pune and the Indian Military Academy (IMA) in Dehradun. These institutions provide organised training to the armed forces, thereby strengthening the nation's security.
2. Infrastructural Development: The government undertakes projects involving building infrastructural facilities such as expressways, roads, railways, ports, train stations, dams, irrigation facilities, power lines, etc. Some of these projects include the Khavda Renewable Energy Park in Gujarat and the Delhi-Mumbai Expressway. These projects provide major employment, develop capital resources, and contribute to economic growth and well-being [4].
3. Agricultural Development: The government acquires land to encourage the growth of the agricultural and allied

sectors. This land is used to build infrastructure such as warehouses, fertiliser and pesticide factories, agricultural machinery, supply of seeds and inputs to farmers, marketing infrastructure, dairy and meat processing, etc. Some important examples include the Indian Agricultural Research Institute (IARI) in New Delhi and the Bhakra Dam in Punjab and Himachal Pradesh. These provide agricultural inputs, technological development, research, and other facilities to farmers.

4. Industrial and Economic Corridors: The government builds certain corridors to boost economic growth. These projects include industrial corridors, mining facilities, manufacturing zones, Special Economic Zones, economic corridors, etc. Notable examples include the Delhi-Mumbai Industrial Corridor and Odisha Economic Corridor. These corridors promote connectivity, investment (both national and foreign), sustainability, and development.
5. Social Infrastructure: The government secures land to build social infrastructure such as educational facilities, hospitals, research institutions, parks, sanitation and water-conservation facilities, housing, skill development, etc. A few prominent examples include Kendriya Vidyalayas and the All India Institute of Medical Sciences (AIIMS) in Delhi. These promote social welfare and contribute to human capital formation.
6. Housing: The government procures land to provide housing facilities for low-income families, widows, senior citizens, marginalised communities and tribes, public servants, individuals affected by natural calamities, etc. A scheme that provides housing facilities is the Pradhan Mantri Awas Yojana.

While acquiring land for any purpose, the government must provide fair compensation to landowners and make other provisions for the rehabilitation of displaced communities.

3.2. Theory of Eminent Domain and Pareto, Kaldor, and Hicks Theory

While making decisions about land acquisition and fair compensation, the government must act in accordance with the following legal and economic theories: *Theory of Eminent Domain, Pareto Optimality Theory, and Kaldor-Hicks Compensation Theory*.

3.2.1. Theory of Eminent Domain

Eminent domain, or expropriation, introduced by Hugo Grotius in 1625, is the capacity of the government to utilise private property for general use under the condition that the landowners are proportionately rehabilitated and compensated [5]. Under eminent domain, the government is granted the ability to acquire private assets for public benefit, such as constructing infrastructure, roads, etc., while maintaining private property rights. Eminent domain has indirectly been stated in Article 300A of the Constitution of India, which deals with the right to property [6]. According to the doctrine, the government can seize private property as long as the landowners are compensated at the market value. The theory of eminent domain is based on 2 legal maxims [6]:

1. Necessitas publica major est quam private: This maxim emphasises that public interest supersedes private, individual necessity
2. Salus populi suprema lex esto: According to this maxim, the welfare of the public is the cardinal law and is of utmost importance.

While acquiring land, the Indian government must ensure that the doctrine of Eminent Domain is followed and just compensation is provided to private landowners for public use.

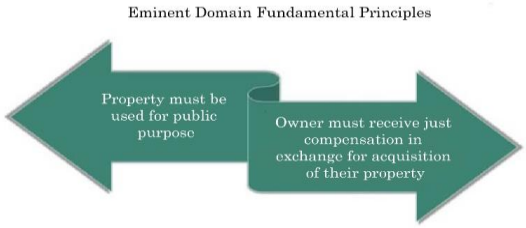

Fig. 2 Theory of Eminent Domain: **Source: WallStreetMojo**

3.2.2. Pareto Optimality Theory

The Pareto Optimality theory states that a state of affairs is said to be efficient and socially preferable if and only if there is no other state that would make a few people better off without making anyone worse off [7].

A situation is said to be in alignment with this theory if an allocation provides utility to at least one individual without hurting any other individual. Interpersonal comparisons, according to Vilfredo Pareto, are meaningless [8].

This theory has limited applicability as it assumes no negative externalities (a situation wherein no one is made worse off). In practice, it is essentially impossible to take any socio-economic action without making at least one person worse off.

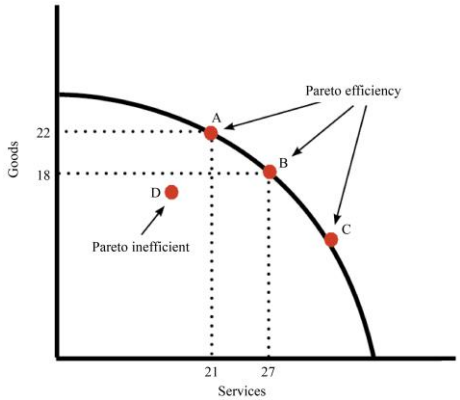

Fig. 3 Patero Optimality Theory

Source: www.economicshelp.org

3.2.3. Kaldor-Hicks Compensation Criterion

Nicholas Kaldor and John Hicks introduced the Kaldor-Hicks efficiency theory. It claims that in certain situations, it is preferable to alter existing rules to achieve greater economic efficiency, while it may create a loss to some specific people/groups of people [9].

This criterion has a practical importance in making socio-economic decisions, and is used by the government to carry out the process of land acquisition. The welfare of the entire society is given more importance than that of certain people who are made worse off. This criterion provides a theoretical basis for a cost-benefit analysis of a public project, thus helping to determine factors such as feasibility, location of the land, compensation to landowners, etc.

3.3. Impact of Highways on Retail Establishments

3.3.1. Positive Impacts

- Increased Footfall: Construction of highways leads to an increased inflow of commuters and tourists, thereby increasing the number of customers for retail shops and eating joints located along the highway.
- Improved Accessibility: Development of highways facilitates smooth, rapid transportation of commodities, reducing costs and improving efficiency for retailers. This makes it possible for customers from a remote, previously inaccessible area to reach the shops [10].
- Rise of Highway Retailing Hubs: Highway construction has led to the formation of organised "Way Side Amenities" (WSAs) and retail centres (e.g., in Gurugram along NH-48) that offer a plethora of services such as food establishments, gas stations, places to rest, and entertainment areas in one location.
- Development in Real Estate: Highways such as the Delhi-Mumbai highway have the potential benefit of increasing the development of real estate in the towns and villages nearby. This improved connectivity leads to an increase in residential, commercial, and industrial real estate investments [10].
- New Business Opportunities: The increased footfall has encouraged the formation of new and innovative retail establishments, including quick-service restaurants, food courts, and handicraft shops, in order to satisfy the needs of travellers.
- Economic Growth: Development of the retail stores and food joints along highways accelerates local economies by driving investment in different sectors, increasing employment opportunities, and increasing property values in previously outlying areas.

3.3.2. Negative Impacts

- Increased competition for existing shops: The shops that already existed, which were part of villages, face increasing competition from highly developed retail malls, thereby reducing their relevance.
- Diversion of traffic: There may be no stopover for fast-moving traffic on the highway for the existing shops, which raises the possibility of them being sidelined and potentially facing no footfall. All highways may not have side roads to access the surrounding retail areas.
- Displacement and Inadequate Compensation: This is the biggest issue as far as Indian villages are concerned, where the villagers are inadequately compensated and displaced not only from their residence but also from their place of work. There have been several petitions in various courts across the country where villagers collectively have demanded higher compensation, being aware of the value of their land once highways have been built.

4. Analysis of Primary Data

4.1. Methodology and Research Findings

A primary survey was conducted of 9 roadside 'dhabas' and retail shops. These were interviewed on the Delhi-Mumbai Expressway stretch. The stores had been in the area for many years, ranging from 5 to 32 years, and most of them were established before the highway construction began. When asked if the highway benefited them, 8 of them (the majority) felt that the highway neither increased their sales, profit, or savings nor benefited them in any other way. While customers came to their shop, there was no visible increase in sales and revenue, but the value of their store had increased. Overall, the survey conducted showed that these small 'dhabas' and stores were made worse off by the expressway, as they now had to face competition from expensive malls.

Table 1. Source: Primary Survey Conducted by Shanaya Ghai

Shop	Owner	Area	Since when are you here (years)?	Were you here before Highway was built?	Has the highway helped you?	Do more customers come to your shop?	Has the highway led to an increase in your earnings?	Has the value of your shop gone up?	How many family members are dependent upon you?
Rao Dhaba	Vinod Yadav	Del-Mumbai Expressway	6	YES	NO	YES	NO	YES	6

Chinar Dhaba	Anand mishra	Del-Mumbai Expressway	20	YES	NO	YES	NO	YES	4
Taste of Tongue	Bhupesh Yadav	Del-Mumbai Expressway	8	YES	NO	YES	NO	YES	4
Atam DHABA	Atam Parkash	Del-Mumbai Expressway	32	YES	NO	YES	NO	YES	6
Sunil Cold Drink	Rakesh	Del-Mumbai Expressway	20	YES	YES	YES	YES	YES	N/A
Ramesh General Store	Ramesh Yadav	Del-Mumbai Expressway	20	YES	NO	YES	NO	YES	N/A
Rohit Prantha Wala	Rohit	Del-Mumbai Expressway	10	YES	NO	YES	NO	YES	6
Mandal Pan	Vinod Mandal	Del-Mumbai Expressway	5	YES	NO	YES	NO	YES	8
Gopal Special	Gopal	Del-Mumbai Expressway	10	YES	NO	No	NO	YES	4

The government needs to take cognisance of the livelihoods taken away from existing shopowners while building highways. There is no doubt that the positive impact of the highway far outweighs the disadvantages. However, the displaced people belong to the poor strata of society and must be compensated adequately, not only in monetary terms but also by enabling them to earn a decent livelihood.

5. Acts and Measures by the Government of India for Land Acquisition

The Government of India acquires land for development and infrastructure. They do this by keeping economic theories like the Theory of Eminent Domain and the Pareto, Kaldor, and Hicks Criterion in providing fair compensation to the landowners. It is under these criteria that certain acts and measures have been constituted in the provision of compensation. These are:

The Highway Act of 1956 was an act to provide for the declaration of certain highways to be national highways and for matters connected therewith [11]. This act was passed to ensure that these roads were maintained to a high standard for the growing traffic and industrial development in the country. According to this act, compensation was determined by the market value of land, the value of assets attached to the land, and the right of the user [12].

Another act, the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act of 2013, provided compensation for land acquisition. It is an act that ensured a “humane, participative, informed and transparent process for land acquisition for industrialisation, development of essential infrastructural facilities and urbanisation with the least disturbance to the owners of the land and other affected families”. It provided just and fair compensation to the affected families whose land had been acquired or affected by land acquisition and made provisions for the rehabilitation and resettlement of those individuals, and for ensuring that, in the process of acquisition, affected people become associates in development [13]. This act did not seem to be in force in the primary survey that was conducted, as all the shopowners interviewed were unhappy with respect to sales and profit.

Land acquisition for the development of National Highways and other reasons is undertaken under Section 3 of the NHs Act, 1956, and compensation is determined by the First Schedule of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013. The Ministry has issued comprehensive guidelines on Land Acquisition in consultation with the Ld. Attorney General of India and other Competent Authorities [14].

The Ministry of Road Transport & Highways launched the BhoomiRashi portal in 2018 to promote highway development projects in India [14]. It is India’s first major attempt at transparency and digitisation, and has incorporated data from 711 districts and 6,55,29 villages. The Ministry aimed to accelerate economic growth, which requires

improved road connectivity [15]. The National Highways Authority of India (NHAI) is the parent body overseeing the growth of road connectivity throughout the country. The implementation of the BhoomiRashi portal has led to an acceleration in the speed of project execution, increased efficiency, transparency in the transfer of funds to the landowners, and a reduction of errors [15].

6. Assistance for the Small-Scale Businesses

Community Development Corporations (CDCs) or Community Development Financial Institutions (CDFIs) collaborate with various assistance programs to help the small-scale businesses that may have lost their customer base in the process of the highway being built. They do this by assisting them in areas such as marketing, sales, revenue creation, and technology. They play a major role in supporting the businesses during highway construction and help in maintaining their earnings, even after the highway is built. Construction disruption assistance programs, as the name suggests, help small businesses understand their rights and retain their customer base by anticipating and mitigating the impact of new development. These programmes have the power to provide financial funding to make up for lost foot traffic and advertising assistance to the owners, along with parking spaces for customers.

7. Limitations

The major limitations in both primary and secondary data are the lack of authentic data in understanding the plight of displaced people. Information regarding the adequacy of their compensation and the status of their livelihood is not easily available. There have been various acts and laws in place by the government of India, but ground-level implementation is yet another story.

It is very difficult to authenticate the implementation story as stated by the acts and laws due to a lack of data. The primary survey collected indicates the unhappiness of shop owners in terms of increased sales and profit. It was not known from the respondents whether the compensation was adequate. Their situation needs to be looked into sympathetically and weighed against the gains of connectivity.

8. Conclusion

Highways have major positive impacts on the rest of the economy, as well as immense linkages with various industries. There is no doubt that the building of highways is an asset to the economy. The downside is the impact of these highways on the livelihood and residence of the people who have been displaced. The positives definitely outweigh the negatives, but the negatives impact the poor, rural, and marginalised sections of society. The government has instituted various acts as have been stated above, but as in all policies, the issue is fair and correct implementation.

8.1. Generalisability

This study examined the socio-economic impacts of highway construction on adjacent rural landowners and retail shop owners. The incorporation of quantitative and qualitative data strengthens the credibility of the findings methodologically. The results are most generalisable to semi-urban and rural areas experiencing infrastructure-based urban expansion. Similar socio-economic effects — such as fluctuations in land valuation, commercial viability, and livelihood patterns — may be observed in similar regions. However, the findings may not completely apply to purely metropolitan urban areas or remote rural regions lacking highways. Variations in land acquisition laws, compensation policies, and government schemes may produce different outcomes in other regions. Overall, the findings are analytically generalisable to comparable socio-economic and policy environments but should be interpreted cautiously beyond similar contexts.

8.2. Implications

The research findings suggest that compensation policies must address asset loss and livelihood disruption for rural retailers. Highway planning should incorporate relocation compensations and improved commercial access for the marginalised retailers. The National Highways Authority of India should consider and incorporate the socio-economic impact of highway construction on rural businesses nearby while designing the project, keeping in mind the economic theories discussed.

9. Ethical Considerations and Conflicts of Interest

The author, Shanaya Ghai, declares that there is no conflict of interest regarding the publication of this paper. The primary research was collected ethically and transparently. The shopkeepers were informed about the study objectives prior to research collection and explicitly gave their consent for the use of their responses.

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Appendix

Survey Questions

1. Since when are you here (years)?
2. Were you here before the highway was built?
3. Has the highway benefited you?
4. Do more customers come to your shop?
5. Has the highway led to an increase in your earnings?
6. Has the value of your shop increased?
7. How many family members are dependent on you?