



Effect of land expropriation on land-lost farmers' entrepreneurial action: A case study of Zhejiang Province



Haijun Bao, Yi Peng*

School of Urban-rural Planning & Management, Zhejiang University of Finance & Economics, Hangzhou, PR China

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ABSTRACT

With the rapid urbanization and industry development, China has witnessed substantial land acquisition. Monetary compensation is usually adopted to settle down land-lost farmers. However, in this manner of compensation, land-lost farmers find settling down in cities and achieving civilization difficult. Promoting entrepreneurship has been suggested to be a sustainable approach to settle down land-lost farmers. However, only a few studies have been conducted to investigate the effect of land expropriation on land-lost farmers' entrepreneurial action. Therefore, how to effectively promote entrepreneurship among land-lost farmers remains unknown. To mitigate this deficiency, this study examines the effect of land expropriation on land-lost farmers' entrepreneurial action through the case of Zhejiang Province in China. Regression is used to examine the effect of land location, amount of compensation, and entrepreneurship policy on land-lost farmers' entrepreneurial action. Land location has a significant positive role, whereas amount of compensation has a significant negative role in initiating land-lost farmers' entrepreneurship. The results of this study can facilitate the local government to make appropriate policies to promote entrepreneurship among land-lost farmers.

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1. Introduction

China has witnessed rapid urbanization and economic development since the 1980s. According to the China Statistical Yearbook, the urban population increased from 191,400,000 in 1980 to 731,110,000 in 2013, and the urbanization rate increased from 19.4% to 53.73% during this period. The gross domestic product (GDP) also increased from 454.56 billion RMB in 1980–56884.52 billion RMB in 2013, with an average annual increase rate of 15.8%¹ (NBSC, 2014). The rapid urbanization and economic development have led to the great demand for construction land for infrastructure and property developments. To obtain more land to meet such demand, a large portion of agricultural land of the farmers has been expropriated by the government (Chan, 2003; Hui & Bao, 2013; Lai, Peng, Li, & Lin, 2014; Shen, Peng, Zhang, & Wu, 2012; Wu, Peng, Zhang, Skitmore, & Song, 2012). When the urbanization rate increases by 1%, about 126.7 thousand hectares of farmland is estimated to be

expropriated, which result in 2660 thousand land-lost farmers (Huang & Tang, 2011). According to the Annual Report on Urban Development of China issued in 2011, the estimated expropriated farmland will be 3633 thousand hectares between 2000 and 2030, and correspondingly, the number of land-lost farmers will increase by 3 million annually and will reach 110 million by the end of 2030 (Pan & Wei, 2011). Such a dramatic increase presents a great challenge to settle down land-lost farmers in urban areas.

Employment is one of the critical bases for land-lost farmers to settle down in urban areas. Three settlement approaches are formulated in the Land Administration Law. The first approach is to be implemented by companies that need the expropriated land. In this approach, land-lost farmers will be provided with job opportunities in corresponding companies. This approach was adopted in the early 1980s and 1990s. However, with the market reform, this approach was kind of suspended as companies mainly relied on the market to obtain appropriate labors. The second is to be charged by rural collectives. Rural collectives provide job opportunities or stock share in collective companies. This approach was adopted in developed areas, such as Guangdong and Zhejiang Provinces. However, it maintains a small ratio at the national level. The third approach is to be charged by land-lost farmers themselves. One-off cash compensation is provided in this approach. This approach is

* Corresponding author.

E-mail addresses: baohaijun@zufe.edu.cn (H. Bao), pengyihz@gmail.com (Y. Peng).

¹ Gross domestic product was measured in the current prices at the corresponding year.

widely adopted in China as it has comparatively low risk, high stability, and easy operation in the short term. It maintains or even improves land-lost farmers' life in the short term, but it cannot provide successful re-employment in the long term (Zhai & Xiang, 2012). The survey in Zhejiang, Jiangsu, and Sichuan Provinces demonstrated that unemployment and low income were prevalent among land-lost farmers (Gan & Sun, 2015). Various reasons account for the limited job opportunities for land-lost farmers, including low education and lack of non-farm work skills (Chen, Chen, & Xie, 2013). Unemployment results not only in insufficient economic support but also in confusion about self-identify, which presents a potential high risk in the long term (Fang, 2015). The social insurance system can relieve some of the serious problems. However, social insurance, which only meets the basic living demands, cannot provide a good life if people merely rely on it. Therefore, the settlement policy should be converted from a survival guarantee to the promotion of development (Zheng & Sun, 2006).

Entrepreneurship is suggested as one of the sustainable approaches to settle down land-lost farmers. International research considers entrepreneurship as a strategic approach to solve the problems of unemployment and employment discrimination (Hytti, 2003; Jayeoba, 2015). Some pilot studies have been conducted in China that link entrepreneurship to land-lost farmers. On the one hand, studies have investigated whether the environment supports entrepreneurship of land-lost farmers. Zheng and Sun (2006) presented a policy system to support the entrepreneurship of land-lost farmers from the perspectives of entrepreneurship guidance, financial support, entrepreneurship chance, and entrepreneurship service. Guo and Jiang (2010) claimed that only 7.2% of the 666 thousand land-lost farmers in Chengdu implemented entrepreneurship. The reasons for the low level of entrepreneurship included lack of capital, lack of policy guidance, blocking of market information, and lack of technological and management abilities. Bao (2012) developed a model to identify the potential of entrepreneurship for land-lost farmers, based on which the limited training resources could be appropriately allocated. On the other hand, several studies have investigated the impact factors of entrepreneurship intention. Chen et al. (2013) demonstrated that cash compensation is positively related to entrepreneurship. Zhang, Wen, and Li (2012) found that re-employment training and the portion of non-agricultural income have a positive relationship, whereas age and cash compensation have a negative relationship with the entrepreneurship of land-lost farmers. Zhou and Fu (2012) found that social capital and human capital greatly affect the entrepreneurship of land-lost farmers. She (2013) identified the influencing factors of the entrepreneurship of land-lost farmers based on theory of reasoned action.

However, existing studies have overlooked the role of entrepreneurial action as a dependent variable. Existing studies have mainly investigated the influencing factors of entrepreneurial intention, with the assumption that entrepreneurial intention definitely results in entrepreneurial action. The assumption is not as reasonable as that we found in the interviews that entrepreneurial intention is diversified and dynamic for land-lost farmers. Therefore, the findings from existing studies are difficult to take effect. Land expropriation, as one of the most important environmental factors, also affects whether entrepreneurial action can be implemented. For example, with other factors controlled, if cash compensation is too low, converting the entrepreneurial intention to entrepreneurial action will be difficult for land-lost farmers. Moreover, if cash compensation is too high, land-lost farmers may directly give up entrepreneurship until their income becomes insufficient. Therefore, to make suitable policies, determining the effects of the land acquisition factors on entrepreneurial action is

necessary.

This study aims to investigate the effect of land expropriation on the entrepreneurial action of land-lost farmers with the case study of Zhejiang Province. This paper is organized as follows. Section 2 presents the theoretical framework and case context of this study. The Entrepreneurial Event Theory was used to develop the analysis framework of this study. In addition, the background information of Zhejiang Province was introduced for better interpreting the analysis results. Section 3 introduces the research methodology. The regression model involving entrepreneurial action, entrepreneurial intention, land expropriation, and other control factors is developed. The relevant variables are measured, and relevant data are collected through a survey. Section 4 presents the findings and an in-depth discussion. Section 5 concludes this study with future research directions.

2. Theoretical framework and case context

2.1. Theoretical framework

Various theories have been developed to explain entrepreneurial intention and action including Entrepreneurial Event Theory and Theory of Planned Behavior (Khuong & An, 2016; Krueger, Reilly, & Carsrud, 2000). The Entrepreneurial Event Theory emphasizes that the human behavior is guided by "inertia" by which if the individual is doing something, he continues doing it unless it is interrupted by the force outside itself, which could be negative or positive (Shapiro & Sokol, 1982). Whereas, the Theory of Planned Behavior assumes that many human behavior are planned and hence, are preceded by intention toward that behavior (Ajzen, 1991). Although there are some homologous points between the two models, Entrepreneurial Event Theory is considered more suitable in this research as many land-lost farmers are forced to conduct entrepreneurship rather than plan to do so.

Based on the Entrepreneurial Event Theory, this study develops the theoretical framework as shown in Fig. 1. The main factors affect entrepreneurial action including entrepreneurial intention and land expropriation.

According to Shapiro and Sokol (1982), entrepreneurial action is triggered by some external change (or events). People's response to emergencies depends on their existing "alternative solution" cognitive. Perception of desirability and perception of feasibility are two basic cognitive way to determine the entrepreneurial intention. Perception of desirability refers to the prospect of entrepreneurial activity. This factor reflects whether entrepreneurial activity is in line with the will of the farmers, that is to say, how much value a business can make. The more value the business can make, the higher possibility that land-lost farmers will start a business. Those individual traits, e.g. achievement motivation and

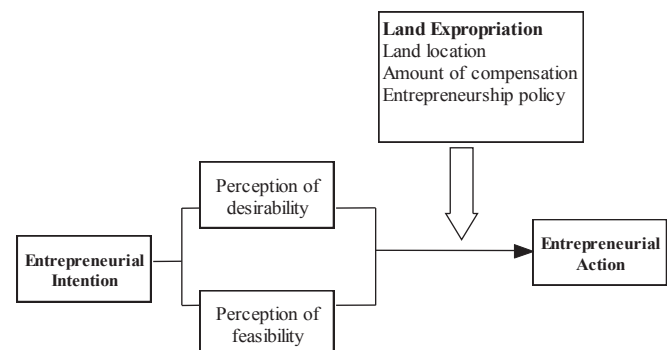


Fig. 1. Theoretical framework of this study.

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