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Infrastructural development is the key to higher growth rate in India

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Abstract

In recent years, infrastructural development has become the core area of focus of the Government to achieve higher growth rate in the economy. The major hindrance and bottleneck to higher growth in India is deficit of better infrastructure facilities. With huge size of market and becoming the largest democracy in the world India fails to increase its manufacturing base to make its exports cost competitive in international market. Not only Rising cost of production which is one of deterring factor of declining India's share in world export market but also one of the preventing factor to inflow of FDI to the country. Giving acceleration to the growth of GDP requires better infrastructure facilities, so in a capital deficit country where infrastructure needs long gestation period investment with huge capital so the option left with the Government is to mobilize sufficient funds through bonds, raising capital from the capital market, allowing PPP(Public Private Partnerships) model by making policy more transparent for private players and attracting FDI(Foreign Direct Investment) into infrastructural projects. This paper highlights, various issues related to infrastructural development.

Key words: FDI, PPP model, Infrastructural projects

1. Introduction

Infrastructure plays a very crucial role and one of the key determinant of economic growth in India. In recent the years, higher priority has been given to infrastructural development, with the objective that building up new infrastructural projects will lend the much required pace to growth of GDP. But some major problems related to financing infrastructural projects, acquisition of land for infra projects, lack of policy clarity and poor coordination in implementation leads to stalled of many big infra projects. Better infrastructure is key determinant to give a makeover and changeover to the country. It's the availability of quality and quantity of infrastructural facilities in the country which helps in transforming the economy. Higher growth of GDP needs, better allocation, production and distribution in the country which in turn largely depends upon better infrastructure. So, the anomalies, wrong practices and lack of policy clarity through which India's infrastructure is suffering and languishing from seeks urgent intervention.

Development of infrastructure in any form is no more the obligation of State only because in India we need nearly one trillion dollars of investment in infrastructure, so with increasing population and growing size of market the private sector participation in development of infrastructural projects is inevitable. The private players must supplement and complement in all big infra projects which needs huge amount of capital with long gestation period investment. Because all obligations towards the country cannot be fulfilled by the government so bridging the infrastructural deficit, government must create suitable environment with policy clarity for private players to be partners in building up new infra projects.

Areas of Focus

Development of high quality infrastructure is the urgent need of the hour. But at the same time shortage of funds is the biggest constraints to take up any big infra projects. So, some specific infrastructural projects has to be developed in priority basis by looking into their economic and social impacts on the people. Though shortage of funds requires proper cost and benefit analysis in any infra projects but looking into the urgency of better infrastructure the cost aspects of the projects are overlooked.

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On priority basis the focus must be on generation of electricity, increasing the length and coverage of express highway, increasing railway connectivity by building up new rail lines, construction of new shipyards and ports, improving sanitation and construction of flyovers to reduce traffic congestion in urban areas especially in big and crowded cities. Over the years the advancement in telecommunication and IT sector has been appreciable because of increasing participation of private players. The two biggest contribution of these two sectors which has maximum influence on the people of the country are mobile and internet. Sustainability of growth momentum requires developed infrastructure and in this direction government is investing large amount of capital in collaboration with the private players in many big projects through PPP.

Power

Growing industries and increasing urbanization has led to manifold increase in power demands. Power grid corporations are not well functioning in India and break down of these grids at peak load time leads to complete black out in the country, which costs too high to the growing industries and new cities. So, Government coupled up with private power generating and power distributing companies trying for uninterrupted power supply to cope up with large demand. New thermal generation projects, new transmission projects and new hydel projects are being developed to bridge the shortfall in power supply. Theft and wrong practices in existing power distribution system has made the running of power plants unviable, so there must be some mechanisms in place to reduce it down.

Transport

Poor rail and road connectivity is the biggest bottleneck in growth path. Both industrial and agricultural sector demands better facilities in these two to accessing inputs and channelizing their produce at low transport cost. Individual projects under the Dedicated Freight Corridor, both western and eastern nodes. Expressways and new alignments to be built (NHAI, State PWDs or Road Development Corporations). China as a neighboring nation has grown at a higher rate in comparison to India because its infrastructural facilities in terms of better roads (Expressways) and rail connectivity. The loss of GDP to India is nearly 2 to 3 percent due to poor infrastructure. So, building up new railway tracks to increase the coverage of rail connectivity and linking it to those areas where farmers and craftsmen associated with village and cottage industries will gain much, will improve their economic condition. Because increasing cost of transport is one of the major deterring factor for small producers to send their produce to urban markets. Improving waterways connectivity can also reduce the burden on roads so linking up major rivers and widening and deepening of those will not only reduce cost of transport but also it will be easy and quick.

Urban infrastructure

Transformation and transition in India is clearly visible from growing small cities and expanding urban areas. But it has also brought new challenges in the form of demand for uninterrupted power supply, safe drinking water and proper sanitation. New mass rapid transport systems, new drinking water projects and construction of new flyovers are the crucial needs for upcoming cities.

Rural Infrastructure

Government must take the help of private players for infrastructural development in urban areas by looking into the shortage of funds and time factor but development of rural infrastructure needs utmost attention of government because PPP model is difficult to materialize for rural area. So, development of rural infrastructure in terms of all-weather roads, model training center for farmers and village craftsmen, store house for keeping agri produce and building up other social and economic infrastructure has to be complete by government only. Developed rural economy supplements and complements for developed urban economy.

Key Challenges

Financing infrastructure

Infrastructural development is the key to higher growth in India but it requires investment of huge capital. So, the serious challenge which Indian government facing is the shortage of fund/capital for new projects. Mobilization of sufficient funds from domestic sources like capital market and issue of infra bonds to cope up with budgetary support but these funds will be insufficient, by looking into the size of capital which is required for. In this scenario allowing private players and inviting FDI into infra projects through PPP can be the best preferred option. But success of PPP model depends upon many modalities which needs to be clarified in the agreement between government and private parties.

Land acquisition

Acquiring land for infra projects is one of the delaying factor in India. Sometimes farmers demand higher compensation for their land and sometimes government misuse the acquired land and gives lower compensation to farmers, which leads to long pending cases in courts, stalling the construction of projects. So, all disputes must be sorted out in an amicable manner with proper laws and agreements in place.

Policies for promoting and expediting PPP projects

Government must come forward with proper policy clarity to invite the private players to be partner in PPP based projects. Transparency and efficiency are the two policies which has to be practiced in expediting the project completion.

Conclusion

Infrastructure acts as an accelerator in speeding up the growth process. So, government must keep its focus on ensuring better infrastructure for developed India. Financing infrastructure is a very complicated issue but with suitable PPP model, we can address the challenge of fund shortage.

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