



**SURVIVAL AND REVIVAL OF INDIAN ECONOMY THROUGH FOSTERING
THE INFRASTRUCTURE DEVELOPMENT AT STATE AND LOCAL LEVEL**

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Abstract

India's rise in recent years is a most prominent development in the world economy. India has re-emerged as one of the fastest growing economies in the world. India's growth, particularly in manufacturing and services, has boosted the sentiments, both within country and abroad. With an upsurge in investment and robust macroeconomic fundamentals, the future outlook for India is distinctly upbeat. According to many commentators, India could unleash its full potentials, provided it improves the infrastructure facilities, which are at present not sufficient to meet the growing demand of the economy. Failing to improve the country's infrastructure will slow down India's growth process. Therefore, Indian government's first priority is rising to the challenge of maintaining and managing high growth through investment in infrastructure sector, among others. The present paper is a shorter version of the India country report carried out by the author on-behalf of RIS for ERIA. This version presents a quick profile and prospects of India's physical infrastructure sector.

Keywords: Infrastructure, Development, Economic Growth, Public Private Partnership (PPP),

I. INTRODUCTION

The provision of quality and efficient infrastructure services is essential to realize the full potential of the growth impulses surging through the economy. India, while stepping up public investment in infrastructure, has been actively engaged in involving private sector to meet the growing demand. The demand for infrastructure investment during the 11th Five Year Plan (2007-2011) has been estimated to be US\$ 492.5 billion (Planning Commission, 2007). To meet this growing demand, Government of India has planned to raise the investment in infrastructure from the present 4.7 percent of GDP to around 7.5 to



8 percent of GDP in the 11th Five Year Plan. In general, efforts towards infrastructure development is continued to focus on the key areas of physical and social infrastructure.

A sound infrastructural foundation is the key to the overall socio-economic development of a State. This acts as a magnet for attracting additional investment into a State and thus provides a competitive edge to it over other States. Availability of adequate and efficient infrastructural set up not only promotes rapid industrialization, but also improves the quality of life of the people of the State. This sector includes railways, roadways, ports, aviation, power, telecommunication, etc. All such services, by connecting the State with other parts of the country and world, ensure the progress and growth of the whole nation.

Until recently, the State Governments had been creating infrastructural facilities in their respective States out of their own budgetary resources, supplemented with some assistance from other Governmental and international agencies. But with the opening up of economy and the resulting increase in competition (both domestic and abroad), there has been a depletion in the resources available for infrastructure development and maintenance. Hence, the State Governments have been making all efforts for attracting capital inflows into the infrastructure sector. The most important step in this direction has been the initiation of 'Public Private Partnership (PPP)' programme. PPP refers to a long-term contractual partnership between the public and private sector agencies, specifically targeted towards financing, designing, implementing and operating infrastructure facilities and services in the State. These PPPs aim to achieve the twin objectives of high growth and equity on a sustainable basis.

The State Governments have identified a whole range of sectors for public-private partnership, including roads/highways, tourism, industrial infrastructure, shipping, etc. Some of the key infrastructure initiatives undertaken by the States using PPPs are:-

- **Karnataka:** - The major PPP project under implementation in the State is the 'Bangalore International Airport'. This is the first airport in the country being executed through the PPP route. The airport is being developed through a joint venture of the **Airports Authority of India (AAI)**, **Karnataka State Industrial Investment and Development Corporation Ltd. (KSIIDC)** and private promoters (Siemens, Zurich Airport, and Larsen & Toubro). Some of the other such projects are the Hassan-Mangalore Rail Line for Rs 310 crore (completed); the elevated expressway to E-City (Rs 600 crore, under construction); etc.
- **Andhra Pradesh:** - The major PPP project in the State is the 'Hyderabad International Airport', being executed under the build own operate (BOO) format. The other such projects are the Kakinada Deep Water Port, being developed on the operate-maintain- share-and-transfer (OMST) format; the **Gangavaram Port**, in the build own operate and transfer (BOOT) mode; FAB City; Hyderabad Outer Ring Road; Kakinada SEZ; Integrated Township and Convention Center; Jawaharlal Nehru Pharma City; Hyderabad Integrated Trade and Exposition Center; Hi-tech City and several knowledge, IT and biotechnology parks.
- **West Bengal:** - The major PPP creativities in the State are the Salt Lake City Center and the Hiland Residential Project (under joint venture). The other anticipated PPP projects include four-lining of Kalyani-Dum Dum Expressway; Water Park-cum-Entertainment Center beside the Eastern Metropolitan Bypass; as well as transport, inhabited, money-making and performing/leisure infrastructure at Asansol,



Howrah, Durgapur and Kolkata. Also, the housing projects coming up on the outskirts of Kolkata City are a good example of PPP model in terms of distributing excellence housing.

- **Kerala:** - The major PPP enterprises under way in the State are the 'Trivandrum City road improvement project' and the 'Vizhinjam International Container Transshipment project'. The former comprehends ten city road corridors and three National Highway bypasses of around 42 km as well as one underpass and two flyovers at junctions of reflected importance. The project is being instigated under build-operate-transfer (BOT) scheme on an annuity basis and its total cost is predictable at Rs 145 crore. While, the latter has been calculated as a futuristic port facility which, upon completion, would be able to hold 4.1 million containers of twenty-foot equivalent units (TEUs) and vessels of the order of 12,000 TEU size with a total berth length of 2860 meters.
- **Madhya Pradesh:** - The State is a pioneer in PPP projects in the road sector. It has developed 1500 km roads under BOT. Other sectors with PPPs are water supply, city bypass, mobile medical units, bus stands, etc. The major PPP projects are the dewas town bypass; dewas industrial water supply project; mobile medical units and special economic zone (SEZ).
- **Gujarat:** - The model of PPP was announced in the State in the early 1990s, when the **Gujarat Maritime Board** launched assembly of the Pipavav port. Since then (as per the available information), twenty-one projects amounting to Rs 13,672.50 crore have been instigated through private sector participation. The State has planned several projects under Viability Gap Funding (VGF) scheme, namely, Ahmedabad Bus Rapid Transit system; Rajkot-Jamnagar-Vadinar Road; Ahmedabad Convention Center; Dahej SEZ; Four-lining of Halol-Godhra-Shamlaji Road and Ahmedabad-Viramgam Road; etc.

For all such PPP projects, the State Governments have recognised a well-defined supervisory framework. It comprises performing of regulations for obviously defining the types of infrastructure facilities, the governing establishments, the technical requirements and the scope of private sector in implementation of these projects. For example, States like Andhra Pradesh have enacted an Infrastructure Authority Act, which aims to enable private developers in securing the required administrative approvals and lays down the provisions for arbitration and fiscal regulation. It covers all the infrastructure sectors in the State.

Infrastructure Policy

Many State Governments have enclosed an infrastructure policy with the purpose of accepting a co-ordinated and combined methodology towards infrastructure improvement. The policy spells out precise motivations and businesses for infrastructure projects, including up gradation of the present facilities as well as hopeful private savings in the sector. It also delivers guidelines for a speedy technical set up and a transparent administrative support. For instance:-

- **The infrastructure policy for the State of Karnataka** aims to expand, broaden and extend private investment in infrastructure as well as found Karnataka as a role model for infrastructure improvement in the country. It applies to township



agricultural infrastructure, education, development, waste management, tourism, energy, industrial infrastructure, healthcare, etc.

- **The infrastructure policy for the State of Odisha** delivers a roadmap for enticing private participation in the infrastructure sector by identifying new projects and inter-sectorial linkages; deciding on the form / extent of Government support; suggesting identifications for approvals and rules; etc.

At the similar time, several State Governments have surrounded separate policies for the individual infrastructural components. These include power policy, road policy, port policy, transport policy, telecom policy, etc. These policies purpose to support competition, foster a appropriate controlling and official framework as well as defend the interests of consumers in the disturbed sector. For example:-

- Power policies have been declared with an opinion to support express development of the power area in the relevant States. Generally, their objective is to:-
 - i. Build satisfactory measurements in generation, programme and circulation of power through effectual and cost effective means.
 - ii. Accomplish prime consumption of surviving equipment's through renovation and transformation.
 - iii. Rationalize the tariff arrangement to confirm reasonable rate of return to power utilities.
 - iv. Increase delivery of facilities and effectiveness through technical, managerial and administrative restructuring of the values.
 - v. Conserve energy concluded well-organized utilization and demand management; etc.
- Port policies have been enclosed for the development of ports in the particular States. The objectives underlying such policies are to:-
 - i. Increase the State's portion in the national and international trade and commerce
 - ii. Decongest the overall liability on current ports in the State and thus cater to the needs of increasing traffic
 - iii. Encourage ship building, ship repairing and other such facilities
 - iv. Attract private sector investment in the standing and new port locations; etc.

Infrastructural Development Corporations

State Governments have also recognised numerous activities which look after the development and preservation of infrastructural amenities in the particular State. They have been set up with the impartial of facilitating higher flow of funds into the infrastructure sector; encouraging private sector participation; removing all the procedural bottlenecks and thus increasing the pace of operation of infrastructure projects. For instance:-

- **Andhra Pradesh Industrial Infrastructure Corporation Ltd** is the principal organisation in the State of Andhra Pradesh, entrusted with the objective of providing industrial infrastructure through the development of industrial zones. It is the opinion organiser in mega projects like Special Economic Zone, Visakha Industrial Water Supply, Gangavaram Port, Convention Centre, and Mega Industrial Parks at Parawada and Pashamylaram Financial District Hardware Park at Hyderabad. It is the nodal agency for Government supported schemes like growth



centres, export promotion industrial parks and combined infrastructure development centres.

- **Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC)** has been set up by the Government of Haryana as an institutional entrepreneur and a financial institution for supporting and quickening the pace of industrialisation in the State, comprising infrastructural development.
- **Gujarat Infrastructure Development Board (GIDB)** has been set up by the Government of Gujarat to growth the flow of capital into the infrastructure sector; to confirm organisation between numerous Government agencies as well as to carry in private sector contribution in the State. It classifies and formulates infrastructure projects; conducts possibility studies; recommends risk-sharing mechanisms and monitors the progress of such projects.
- **Maharashtra State Road Development Corporation Ltd** has been set up by the Government of Maharashtra for running the development of transport infrastructure services in the State by supervision the achievement of present and new projects, with the active participation of the private sector.
- **Punjab Infrastructure Development Board** has been set up by the Government of Punjab as an apex body answerable for general planning of infrastructure sector, counting application of projects and formulation of policies, etc.

Thus, each State has been taking several steps for promotion and improving its strengths in terms of infrastructural facilities. This in turn will attract more and more investors into the State and help in supporting the competitiveness of the Indian economy on the global platform.

II. INFRASTRUCTURE AND ECONOMIC GROWTH

Infrastructure is one of the important aspects that enterprise the economic growth of a country. Infrastructure itself may not be the portion of the production procedure, but is important for the services it delivers. Good infrastructure is the basic responsibility for any production development to work capably. It is a significant input to the production procedure and raises the efficiency of other sectors. Infrastructure lowers costs, increases markets and facilitates trade. Infrastructure attaches goods to the markets, workers to industry, people to facilities and the poor in rural areas to urban growth canters. Thus, infrastructure provides services that provision economic growth by cumulative the productivity of labour and capital thereby dropping the prices of production and raising effectiveness, production, income and employment.

A country's development is powerfully connected to its infrastructure strength and its capacity to expand trade, manage with population growth, reduce poverty and produce inclusive growth. The World Bank in its "World Development Report 1994" pointed out that productivity growth is developed in countries with an acceptable and effective supply of infrastructure services. Establishment of infrastructure services to meet the demands of business, households and other users is one of the main challenges of economic development. In numerous studies accompanied by World Bank Group, private investors have cited reliable infrastructure services as an essential contemplation in their investment decisions. The report also points out that "infrastructure capability raises step by step with economic output - a one percent increase in the stock of infrastructure is related with a one percent increase in gross domestic product (GDP) across all countries". In an increasingly

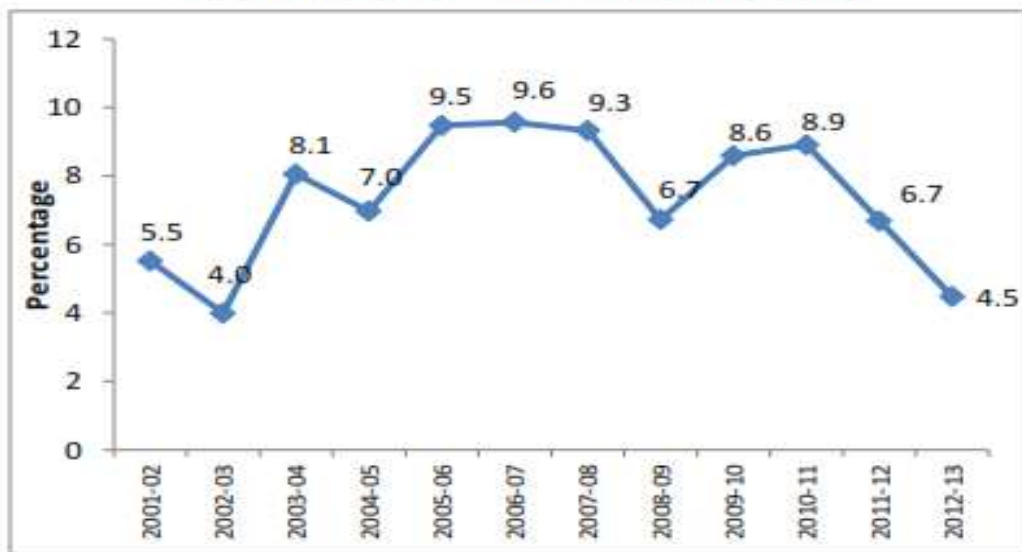


globalizing world, accessibility of good quality infrastructure is a critical factor in attracting foreign investments. Availability and accessibility of adequate infrastructure in a country on par with international community is an indicator of the presence of high quality of life.

In Millennium Development Goals also the role of infrastructure in releasing poverty has been predictable. It has fixed cumulative access to water supply and sanitation service as targets to be attained by 2015. Infrastructure services contribute to poverty decrease and enlargements in living standards in numerous ways. Greater access of the poor to education and health services, water and sanitation, employment, credit and markets for produce is needed. Lack of access to product and factor markets, prevents the rural poor to be a part of growth process. Assembly markets work for poor is the key element in reducing poverty. Infrastructure development enables the markets to expand and fall within the reach of the poor, thus making them part of the growth process.

India has emerged as one of the increasingly growing economies in the world. The GDP Growth was remarkably above 9% during 2004-05 to 2008-09. It fell to 6.7% in 2008-09 as a consequence to world economic recession. It recovered immediately to 8.6% in 2009-10 and remained at 8.9 % in 2010-11. However, it slowed down to 6.7% in 2011-12 and then fell to 4.5% in 2012-13, the worst it has been in last nine years.

Graph 1: GDP growth rate at Factor Cost



Source: National Account Statistics, CSO

Lack of high quality infrastructure has been an impediment in India's economic growth. To revive the economy a number of efforts are being undertaken, of which investment in infrastructure is one.

III. CONCLUSION

It is important to note that in a poor and backward state like Orissa mere creation of the infrastructure has not helped much for balanced development of the state's economy and society. Further, due to absence of suitable preservation and management several infrastructures shaped with a view to rushing the pace of economic development have



unsuccessful to generate planned properties. It is perceived from our village survey done in the 30 villages of six districts covering four dissimilar geographical regions that there exists a wide gap in the official figures of different infrastructures and their authentic status. In the case of irrigation infrastructure it is found that in majority of the cases only less than 50 per cent of the irrigation potential created in the different parts of the state is effectively generating desired benefit to the people. The canals and drainage channels are shabbily maintained. Wherever at the village level irrigation facility is produced under minor irrigation project like water shed, water harvesting arrangement, etc., those have regularly benefited the large land owners and well-to-do farmers of the village. As an outcome, the minor and marginal farmers in the backward tribal and highland districts of the state fail to earn their yearly existence needs by exclusively depending upon agriculture.

Electrification of the villages is a myth. It is observed that in majority of the villages the supply of electricity is highly erratic and irregular. The normal rate of obtainability of power in the internal and regressive villages of highland and tribal districts is only four to six hours a day. Further, it is not at all uncommon that while a percentage of the village is captivated for the rural well-to-do households, the neighbourhood reimbursements principally being resided by the demoralized might have been port un-electrified.

Service scenario of both education and health infrastructures is equally bad in the rural areas of backward highland districts. The schools and health Centre's exist in namesakes only. In many of the surveyed villages the school buildings were found in dilapidated condition. The teachers do not take much interest in teaching. They are regularly irregular in their duties. Their effective stay in the school premise is hardly for two to three hours a day. Similarly, the health Centre's located in the backward and tribal areas hardly serve any interest of the poor. The doctors' posts are invariably found vacant in all such places. Wherever a doctor is posted, he or she prefers to stay in the district headquarters and commutes to the health Centre at his/her own sweet will. The paramedical staff also do not prefer to stay in the backward village.

However, in comparison to the 1960s and 1970s the roads and transport as well as the communication infrastructures in the villages of Orissa have shown satisfactory improvement despite poor quality of the roads. Banking services also, particularly after the nationalization of the commercial banks have shown satisfactory result. Nevertheless, it is needless to mention that the state has still a lot to do for the improvement of its infrastructure sector. The gap between the composite development index value of the infrastructure sector and the actual access of such services across space and people needs to be bridged in order to enable the state to abolish rural poverty and to accelerate the pace of economic development.

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