

Vol 3 Issue 8 Feb 2014

ISSN No :2231-5063

International Multidisciplinary Research Journal

Golden Research Thoughts

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RNI MAHMUL/2011/38595

ISSN No.2231-5063

Golden Research Thoughts Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial board. Readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

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IMPACT OF INFRASTRUCTURE ON ECONOMIC DEVELOPMENT IN INDIA

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Abstract:-“The link between Infrastructure and economic development is not a once for all affairs. It is a continuous process and progress in development has to be preceded, accompanied and followed by progress in infrastructure, if we are fulfill our declared objectives of self accelerating process of economic development” - Dr. V.K.R.V.Rao.

Keywords:Infrastructure , Economic Development , economic growth.

INTRODUCTION:

For the prosperity of a country, the expansion of infrastructural facilities is important pre-condition. In the stages of Economic Growth of W.W.Rostow, he mentioned the infrastructural facilities as social overhead capital and stated that the social overhead capital as one of the most important pre-condition for accelerating economic growth. Gunner Myrdal in his book “Asian Drama” also pointed out that the infrastructure is the necessary component for development of any nation.

Similarly, the Indian planners regard the relation between infrastructure and economic development. So they highlighted and gave priority to the expansion of infrastructure facilities. Since starting the new economic reforms, the Indian Government has been giving the high priority to the infrastructure for which the private participation has been encouraged. Further the Indian Government has also announced various measures to attract foreign investment in raising the infrastructure sector. But the thing is that the results of these efforts have fallen far.

In view of the process of economic growth, great importance has been given to capital stock in India but the economy continues to lag behind in the matter of human capital. Production of a country can be increased not only by net addition to capital but also by Human resource development. Despite this realization by the Indian economic planners, the economy still suffers in the matter of solving the problem of augmenting infrastructure. The intensified global competition poses new challenges at necessitating more efforts for rapid expansion of infrastructural facilities in India.

One more point mentioned here is that the National and foreign investment is continuously increasing in India. At the same time Multinational Corporations are also coming. But due to infrastructure bottlenecks, we are not able to fulfill the structural requirement of industries. Crisis is prevailed in our country. Power shortage, poor quality of coal and short supply of transport facility, inadequate water supply and inadequate road facility are the present problems of Indian industries. So Economics of infrastructure in India is needed today. Rapid and higher economic development is not possible without infrastructure. It is therefore; an emphasis on economics of infrastructure in India, its advantages and problems has been made in this paper.

MEANING:

Development of Agriculture and Industry is the base for the prosperity of every economy. Agricultural production requires mostly, power, credit, transport facilities whereas the industrial production requires machinery and equipment as well as man power, management, energy, banking and insurance facilities, marketing facilities and transport services which include railways, roads, communication and shipping facilities. All these facilities are simply called as infrastructural facilities. Infrastructure facilities often referred to as social and economic overheads, which consist of in simple Energy, Transport, Communication, Banking, and social overheads, which are explained as follows.

1. Energy: Coal, electricity, oil and non-conventional sources.

- 2.Transport: Railways, roads and shipping and civil aviation.
- 3.Communication: Post and Telegraphs, telephones and Tele-communications.
- 4.Banking: Finance and Insurance
- 5.Science and Technology
- 6.Social overheads: Hygiene and Education.

During World War II, the term Infrastructure was originated according to Prof. Rosenstein Radar. The term was adopted more generally as preferable to “Social overhead Capital”, in the early days of Marshall to avoid confusion with hospitals, schools and similar welfare facilities. Now this approach has become very wide. This is specifically used in the context of economics of Industry and Agriculture. The World Bank experts define it as the basic services on public utilities, which are necessary to the commodity producing sectors of the economy.

ECONOMICS OF INFRASTRUCTURE:

Economics is a very developing social science with many branches. Economics of infrastructure should be treated as a separate modern branch of economics. Directly it has its impact on development. All the modern sectors are the parts of Economics of infrastructure. The industrial development, the development of primary sector of Indian Economy and the service sector are based on infrastructure in the contemporary scenario. There are two schools of thought regarding the economics of infrastructure such as Economic infrastructure and social infrastructure. The former have important segments like energy, roads, transportation, communication, water supply, Banking and Insurance while the latter consisting of services and amenities of education, health, medical services and housing.

ECONOMICS OF INFRASTRUCTURE IN INDIA:

Balanced economic and social development has been needed to the Indian economy. Compared to other countries, the Indian economy is a unique and has specific and prevailing different circumstances. Therefore, we need to study economics of infrastructure in India. We have no proper perfect and complete industrial infrastructural facilities. There are many bottlenecks in agricultural and rural development infrastructure. India is a vast country in population possessing very little segments of human resource development.

After implementation of new economic reforms in India, the new economic policy has emphasized industrial development. But there are no adequate facilities like water, power, roads, communication, transportation, education, health and research and development. We should therefore concentrate to improve these facilities for raising the development of Indian Economy.

Due to new economic policies, India has lot of economic and social problems, human and distributional problems. Therefore we want development of economic, social and human infrastructure. The economic infrastructure could solve all these problems in India with all-round growth of the economy.

EVOLUTIONAL GROWTH OF INFRASTRUCTURE IN INDIA:

The Indian economy had an infrastructure of some sort even before advent of British rule. In Gangatic areas we had a good canal system. Hindu and Mulsim rulers in South India built most of the roads. Yet, transport and communications were quite under developed at that time. Animals were the main source of transport in Rural India. To a small segment of people the pathshalas and madarsas gave traditional education, which was later unsuitable for the needs of modern economy. Similarly, some charitable dispensaries of the Ayurvedic type of health system was prevailing meant for very small segment of population.

Lord Dalhousie developed first time the modern infrastructure sector. He laid down foundation of long-range policies of building a countrywide network of railways. In 1850, the first railways line from Bombay, Calcutta and Madras was laid. Its aim was to serve the interests of British rather than India.

Most of the lines were started from these parts. At the end of the British rule, they had built around 85,000 Kms. of railway line in undivided India. Due to partition, about 11,000 Kms. of railway lines went to Pakistan. The railway network, which the free India inherited from the British, was reasonably good. The same holds for introduction and development of posts and telegraphs and other modern means of communication. Modern educational system was started in India from 1854 onwards.

After independence, we concentrated in development of infrastructure. There are bright signs of development in roads, transportation, communication, education, banking and insurance, water supply etc. But development of infrastructure sector is far from satisfaction. After 1991, Government has given top most priority to this sector. Many fiscal incentives were declared in various budgets and were sought to give a renewed threat to sectors such as power, petroleum, roads, ports and telecommunication. The current debate on financing of infrastructure seems to focus on the enormous size of demand and critical need to involve the private sector in meeting that demand. In this regard the required investments in infrastructure to be 5 to 8 per cent of GDP in the next ten years it is a significantly increases from the present level of 3 to 4 per cent.

GROWTH OF INFRASTRUCTURE SINCE INDEPENDENCE:

Indian planners identified the link between infrastructure and general economic development. It is therefore; given high priority to the expansion of infrastructure facilities right from the first plan itself. In view of this, the plan has allotted over 50 per cent of the total plan outlay on infrastructure development.

The heavy investment on infrastructure has increased the infrastructure facilities. In case of coal, its production rose from 32 million tons to 316 million tons between 1951 and 1999. Later it has increased to 323 million tons in 2001-2002. During the same period power/electricity rose from 5 billion kwh to 448 billion kwh and to 515. The production of petroleum crude rose from 0.4 million tones to 33 million tons between 1951 and 1999 and it declined to 32 million tons in 2001-2002. Similarly, there has been tremendous expansion in other infrastructure facilities as shown in Table – 1

Table – 1: Trends in Growth of Infrastructure Facilities

Facility	Unit	1950-51	1998-99	2007-2008
I. Energy				
1. Coal	Million Tonnes	32	316	323
2. Electricity	Billion Kwh	5	448	515
3. Petroleum-oil crude	Million tones	0.4	33.0	32.0
II. Transport and Communication				
1. Railways goods traffic	Million Kms	72	442	492
2. Cargo handled at major ports	Million Kms			
3. Telecommunications Net telephones provided	Millions	19 N.A.	252 3.8	288 8.4
III. Steel	Million Tonnes	1.0	26.0	31.1
IV. Cement	Million Tonnes	2.7	98.0	106.9

Source: Economic Survey (2009-2010)

Three important features of infrastructural development could be found. They are: (i) The threefold rise in agricultural production and sevenfold rise in industrial production have been possible during the last five decades. (ii) The overwhelming emphasis was there on the provision of infrastructural facilities mainly for the urban areas and (iii) The concentration of the infrastructure in the urban areas and their relative neglect in rural areas resulted in inadequate development and therefore, of inadequate employment opportunities in rural areas. Infrastructure development has urban bias and a bias in favor of the rich and the more affluent.

PROBLEMS OF INFRASTRUCTURAL DEVELOPMENT:

Infrastructure is a base for development of modern economy and society. But Government of India has not succeeded in achieving higher growth rate in infrastructural sector during new economic reforms era. There is no proper and sound response towards Government from the Indian Private Sector and foreign sector. There are many problems in development of infrastructural sector. Some of the main problems are mentioned below.

- 1.Huge and giant financial investment is a major problem.
- 2.Less profitability is another obstacle in the development of infrastructure. It is rather less profit motive sector.
- 3.As we believe that we are in a age of Globalization, Liberalization and Privatization. There are prevailing lots of Administrative hurdles, controls and regulations.
- 4.Resource allocation and management in this sector are very low.
- 5.We have no proper, balance and efficient planning and implementation for the development of infrastructure sector.
- 6.Centralized industrial development in limited gold belt area created inadequate infrastructural problems.
- 7.Higher growth rate is a main objective of every five year plans but upto Seventh Plan, we neglected this crucial infrastructure sector.

IN SEARCH OF BEST ALTERNATIVE:

There are a lot of problems in infrastructure sector. So that there is a need to find out best alternative solution for these problems which is mentioned below:

Impact Of Infrastructure On Economic Development In India

- 1.Public Infrastructure sector: There is a need to develop this sector by our Government solely.
- 2.Co-operative infrastructure sector: When public and private sectors have failed, to achieve certain goals, there is the best alternative – National or State or Regional Cooperative Infrastructure Society.
- 3.Joint Infrastructure sector: If public, private and cooperative sectors are not ready to take responsibility, there should be possibility to joint infrastructure sector.
- 4.Infrastructure less development strategy: As there are strong and very serious infrastructure problems, we should think over either infrastructure less or less infrastructure-oriented development strategies. Perhaps nobody can imagine about this but it is a need of present time and this is quite possible.

ENDPOINT:

Problems of infrastructure are more serious. There is imperative need to think over this. We have adopted wrong path of development, which creates “Infrastructure crisis in our country. In Indian context, there is a need to change the whole strategy, direction and nature of economic development.

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