Chapter VI

SUMMARY

AND

CONCLUSION
Summary and Conclusion:

Throughout the study we find that infrastructure is defined as capital of society or social capital that is embodied in such forms as help direct productive activities. The forms in which this capital is found are transport and communication, power etc. Broadly, the nature of the infrastructural installations is that these do not produce commodities directly. These are in the nature of facilitative set-up that promotes general economic activities. As such it is also known as social overhead capital. Infrastructure is of great importance for an economy. India has rightly given it a high priority in its various plans. And much progress too has been recorded in this field. The importance of infrastructure has been recognized right from the beginning of planned development in the early fifties. Particular attention has been devoted to such sector as transport, communication, energy etc. These sectors have been allotted large resources, and considerable efforts have gone into their expansion and modernization.

Since the basic infrastructure has to be big sized if it is to render services, large investments have been made in it. For example, to provide transport services of various types, big investments have gone into the making of rail tracks, roads, ports and harbor, air terminal etc. This investment can not be of small size, nor can these be varied in a small size. This is again an irreducible mix of public utility services which must be set up to reap its benefits. These facilities yield returns or benefits over long period of time only if these are set up in their proper sizes which are massive indeed. The investment needs for these facilities have been estimated to be in the range of 30-40 per cent of the total
investment of a developing country. Indians plans have devoted resources of this magnitude all through these years. Taking only transport and communications and power, the proportion of outlay of the total in each plan has been above 35% and in at least three plans much nearer to 40% mark. If one takes note of investment in other facilities of similar nature, the ranking of infrastructure in India's development plans will be still higher.

In any developing country, there is need for giving high priority to the development of infrastructure facilities as it has been greatly felt that the expansion of these facilities is an essential pre-condition for general economic development. Indian planners have high priority for the expansion of energy, transport, communication and banking. But still infrastructure remain the biggest stumbling block to economic development. Unfortunately, our bureaucratic model has failed to undertake an integrated approach to infrastructure development particularly in energy sector in India.

Would infrastructure is a condition for acceleration economic growth. It increases productivity, lowers production costs, raises a country's international competitiveness, as well as its ability to attract international funds. It delivers major benefits in terms of poverty elevation and environment sustainability. Growth of infrastructure is a basic source of economies leading to reduction in production costs and increase in Gross Domestic Product (GDP). The study suggests that growth of infrastructure has a high potential pay off in terms increase in Net State Domestic Product (NSDP). So, the reforms in the provision of infrastructural services are a must.
Since independence India has ever given its infrastructure a high priority. In Ninth Plan also there is a special emphasis on infrastructural facilities. Despite all is not well with the infrastructural facilities at present; its small size is one of the important weaknesses compare to its needs.

There is an evolutional growth of infrastructure before independence. Railway, irrigation, post and telegraph sector were somewhat partially developed before independence. But after 1947, there are bright trends of infrastructure development. But it is not satisfactory. Since 1991, we concentrated in infrastructure development. But still there are many crucial problems.

After the New Economic Policy both private and foreign sectors are fully in the operation in the Indian economy. The matter is that infrastructure is still the responsibility of the government sector. The shortages of the infrastructure and lower rate of investment and underproduction of goods and services relating to infrastructure have become the main cause of concern for the economic planners, thinkers and as well as economic administrators. Taking them into account government had constituted Rakesh Mohan Committee on infrastructure.

External capital inflows perform an important role in the financing of investment on infrastructure sector in India. The Indian capital market is partially open to investments by 'Foreign Institutional Investors' (FIIs) within prescribed limits. High growth in trade is absolutely essential if India is to attract external capital inflows of the volumes desired and on a sustainable basis.
In India, the quality and quantity of infrastructure services are very poor and there exists a wide gap between its demand and supply. The government expenditure in real terms on infrastructure sector has declined substantially since 1991. The fiscal constraints of the government has given support to the new thinking of withdrawal of the state ownership and control of infrastructure activities and this role is left to private investors with incentives and other support provided by the government. Since the onset of the economic liberalization strategy in 1991, the government of India has taken initiatives and given numerous financial crutches to attract and facilitate private investment in this area. The procedure relating to foreign investment in the infrastructure sector has been liberalized. But the performance of the infrastructure sector has not improved during the period of post economic reform in comparison with the period of pre-economic reforms, and adverse effects are evident in the performance of key infrastructure industries (chapter 4).

As the government's ability to undertake investment in infrastructure is constrained, private participation has become necessary. But the transmission from public sector to private participation is not smooth. In my study I have attempted to describe the role of private sector as providers of infrastructure services in India. The objective is to study whether infrastructure provided by private sector is adequate or not to foster the rate of economic growth. Considering the profit motive of the private sector, there is no guarantee that the private sector would invest in infrastructure areas in future which are both risky and less profitable.
We find that arbitrary and restrictive legal norm, price and tariff controls, the huge cost involved and the absence of a transparent regulatory framework work as a block to the entry of private sector in infrastructure industries. Clear stable non-discriminatory rules within a framework of competition and economic freedom can resolve many critical issues of infrastructure and make private participation easy and effective.

Acceleration in economic growth at the rate projected will clearly not be possible to achieve without a corresponding acceleration in the rate of investment in infrastructure. Higher industrial growth will require substantial new investment in power, transport and communication etc.

The main aim of economic development is to provide comforts and decencies of life to the human beings and make human living happier. Economic development is said to be achieved only when the present generation are fully equipped with all basic needs not at the cost of future generations. Social infrastructure makes the country’s manpower more efficient, qualitative and productive. Education, training, health and medi-care, social security, insurance and various other civic amenities are parts of social infrastructure. In economic development, apart from agriculture, industrial development depends on Human Resource Development. Proper utilization of human resources provides the key to the economic and social development. The real wealth of a country lies in the development and effective utilization of human productive capacities. Human capital is one of the most crucial instruments of development.
Education plays the most important role in developing human capital at every stage of development.

Just as investment in physical infrastructure forms a pre-requisite for the purpose of growth, the very progress in this sector requires a strong social infrastructure consisting of rich human resources. Most nations with successful stories of economic growth have realized the role of this sector and invested a substantial percentage of their GDP for social sector.

India is on move towards becoming a world economic power and Asian tiger through rapid industrialization. India also actively participated in the globalization process. We have to compete with China, Taiwan, and Indonesia in global market. In future we should concentrate in sound organization in the infrastructure sector.

As we know that economic development mostly depends on infrastructure sector. Development of infrastructure contributes to agricultural development, includes industrialization, encourages trade and mobility of lobar. The scale of industrial production largely depends on the level of the development of infrastructure. Infrastructure facilities and economic growth are related. Infrastructure development can have significant impact on economic growth. Adequate quantity, quality and reliability of infrastructure are key determinants of the growth of the overall economy.

Infrastructure is a very important element for economic growth of a country. The poor countries in all regions have poor infrastructural set up. The stress on infrastructure is nothing new. All around development of a country depends
largely on its infrastructure. It is a big canvas – rather it is like an umbrella which includes a lot of things. There are problems of finance, profitability, administrative hurdles, mismanagement, misdirected planning and implementation etc. we have adopted wrong path of development which creates infrastructure crisis. We should think in our Indian context. There is a need to change in whole strategy, direction and nature of economic development. We should over infrastructure-less or less infrastructure-oriented development strategy through decentralized industrial development by tiny, cottage, rural and agro-based industries.

The urgency to broaden and deepen domestic capital markets should be realized and necessary institutional changes should be brought about so that the flow of fund to finance infrastructure is kept uninterrupted to ensure efficiency of operation.

Development of all types of infrastructure is not likely to be financed by private investors alone. For instance, expenditure on rural roads, sewerage and sanitation etc., are unlikely to be covered by user charges. Governmental support by way of one-time grant of capital or land or both is indispensable. Besides that public private partnerships are also needed to stimulate the private finance. To eliminate the risk arising out of fluctuations in demand which is generally experience in power sector, government’s guarantee – that users honor their purchase agreement – is most essential. It, therefore, transpires that even when domestic capital market is adequately developed, investment in infrastructure is not automatic. Without major involvement of the government at
almost all stages — in provision, operation and marketing — the investment in infrastructure, in private hand, is sure to fall short of requirement.

Now, as a concluding remark I would like to mention a few lines which are quoted by a famous economist — “A man in a particular region is poor because he has low income. He has low income because there is low economic activity. The reason for low economic activity is low potential capability for income generating activity. There is low potential capability because of low infrastructural development. And the reason for infrastructural development is that flow of investments (both public and private) is concentrated in limited regions given total funds for the nation as a whole.”