For any economy to grow rapidly, development of infrastructure is very essential. It is a necessary condition for achieving sustained economic growth over a longer period of time. Unless the critical importance of infrastructure is understood, and the services like power, telecommunication, seaports, airports, railways and roads are developed to cope up with the needs of the rapidly growing industrial sector, it would be difficult to achieve the overall rapid growth in the GDP.

Therefore to produce efficiently, to export competitively and to use resources effectively, it is essential to improve the infrastructure sector. Many countries of the world have already introduced major infrastructure sector reform programs in the form of Privatization, Competition and Deregulation.

Till recently, the government of India had been providing maximum of all the above mentioned facilities. But of late, it has been realized that it would be extremely difficult for the government to pump in the required huge amounts of capita, particularly when the fiscal health of the government is also not too well. As a result, the government has moved away from the role of provider of infrastructural facilities to that of facilitator or regulator.

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 as well as economic administrators. Recognizing the importance of infrastructure in general and social and physical infrastructure in particulars in economic development and for the society as a whole, it is essential to examine the degree of relationship between various components of social and physical infrastructure and GDP in India.

In the present study an attempt is made to explain about the reasons of ineffectiveness of investment of our country, the performances of different states in this field and the financial institutes who play a very important role in infrastructure financing.

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