

SUSTAINABLE INFRASTRUCTURE GROWTH- THE DRIVING WHEEL OF MAKE IN INDIA PROJECT

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Abstract

Make in India, a flagship program of Government of India. It is launched by Prime Minister Narendra Modi on 25 September 2014. Since from the launch of Make in India, FDI inflows of USD 77 billion including an equity inflows of USD 56 billion has been received for the period October 2014 to March 2016. This represents around 44% increase in FDI equity inflows over the same period. This means, there is a tremendous change in production and contribution from secondary sector during that tenor, this legacy will continue at the same pace, only when infrastructure facilities grow with the same proportion.

Basic infrastructure such as road, railways, transportation and communication play a vital role in the development of any state/nation. Transportation is a necessity of Make in India project, because it is evident from developed countries that both production and infrastructure have to grow hand on hand, and another part of transportation is easy to access workforce which will be possible only when we have a perfect public transportation system. This paper will give an insight view about sustainable infrastructure growth (transportation) and how it will be a major stakeholder of Make in India project.

Keywords:

Sustainable Growth;
Infrastructure;
Make in India;
Transportation;
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1. Introduction

Growth and development of any society depend on the infrastructures for distributing resources and essential services to the public and producing industry. The quality, efficiency and productivity of infrastructure affect the wellbeing of the societies. The country's growth is reflected in the infrastructure assets. Infrastructure is explained as the physical facilities through which services are provided to the society. Infrastructures are the physical facilities that are sometimes called public work. The infrastructure sector covers a wide range of public and societal services such as transportation (includes roadways, railways, airways and water transportation), power generation, transmission and distribution, telecommunication, port handling facilities, water supply, sewage disposal, and irrigation, medical, educational and other primary services. These services affect the business initiatives and are very important from a societal point of view and also contribute to the economic growth by increased production. The public infrastructures improve the quality and quantity of final goods and services. Rapid extension of the urban areas has exacerbated the shortages of public amenities /infrastructure in the cities. The reasons are mainly due to the lack of understanding of demand and supply of the services needed and also due to the lack of capability of authorities. Infrastructure is the major driving factor of any urban development and the economic growth of the country.

Prime Minister Narendra Modi launched the Make in India initiative on September 25, 2014, with the primary objective is to promote India as a global manufacturing hub, by promoting both multinational as well as domestic companies to manufacture their products within India. Led by the Department of Industrial Policy and Promotion, the initiative aspires to raise the contribution of the secondary sector to 25% of the Gross Domestic Product (GDP) by the year 2025 from its current 16%. Make in India has acquainted multiple new initiatives, boosting foreign direct investment, applying intellectual property rights and raising the manufacturing sector. It points out 25 sectors of the economy which range from automobile to Information Technology & Business Process Management.

It also attempts to facilitate job creation, nurture innovation, heighten skill development and defend intellectual property. The logo of 'Make in India' – a lion made of gear wheels – itself reflects the constitutional role of manufacturing in government's vision and national growth.

2. Challenges

Infrastructure, includes roads, power, highways, airports, ports and railways, have come forth as an asset class with long-term growth that can support relatively stable returns to investors but India faces a critical problem due to heightened population, slums, declension in the physical environment and standard of living, increase in the number of the vehicles, poor road and parking spaces, deficient of public transportation, and solid waste management.

Thus there is a vast gap between the demand and supply of crucial amenities, services and infrastructures. There is a great opportunity for the companies involved in the project. The investments on these public amenities offer a strong growth potential. Thus infrastructure industry as a whole has a great potential in India and Indian economy and also steadies against financial crisis.

3. Objective

The objective of the study is as follows:

1. To identify an Infrastructural growth for Make in India Project.
2. To state the growth prospect of Make in India project.
3. To analyze the growth of Infrastructural factor and its impact on FDI inflow in India.

4. Methodology

Research paper is based on the secondary data, data will be collected from the various sources such as reports (Twelfth five year plan,), RBI bulletins, and other government official websites. Various statistical tools and techniques such as Mean and percentage growth method will be applied for analysis of data.

$$\text{Mean} = \frac{\sum x}{n}$$

$$\text{Percentage growth} = \frac{\text{Present Value} - \text{Previous Value}}{\text{Previous Value}} \times 100$$

5. Infrastructural Development in India

In twelfth five year plan, Central government has given more emphasis on the infrastructure development such as Road & Bridges, Railways, Ports, Airports, Communication, Renewable Energy, and so on. The total public sector investment in infrastructure envisaged in the Twelfth Plan is `16,01,061 crore by the Centre and `12,89,762 crore by the States. Investment by the private sector, which includes Public Private Partnership (PPP) projects, makes up the balance of `26,83,840 crore, which is 48.14 percent of the required investment during the Twelfth Plan, a much higher share than expected 36.61 per cent during the Eleventh Plan. Of the projected investment of `16,01,061 crore by the Central Government, `9,47,083 crore is likely to be funded out of IEBR. The year and Sector-wise projections for the Twelfth Plan are given in Table 1

Table-1

Development In Infrastructure Investment In India(In Crore at Current Prices)

Sectors	Twelfth Plan Projections					
	2012-13	2013-14	2014-15	2015-16	2016-17	Total
Electricity	2,28,405	2,59,273	2,94,274	3,33,470	3,86,244	15,01,666
Centre	69,059	77,650	87,228	97,616	1,09,242	4,40,796
States	56,338	62,337	68,909	75,888	83,572	3,47,043
Private	1,03,008	1,19,286	1,38,137	1,59,966	1,93,429	7,13,827
Renewable Energy	31,199	42,590	58,125	79,075	1,07,637	3,18,626
Centre	3,631	4,739	6,179	8,027	10,427	33,003
States	744	886	1,056	1,253	1,487	5,425
Private	26,825	36,965	50,890	69,795	95,724	2,80,198
Roads and Bridges	1,50,466	1,64,490	1,80,415	1,98,166	2,21,000	9,14,536
Centre	61,920	64,567	67,272	69,833	72,502	3,36,094
States	47,844	51,222	54,786	58,377	62,204	2,74,433
Private	40,702	48,702	58,357	69,955	86,294	3,04,010
Telecommunications	1,05,949	1,36,090	1,76,489	2,30,557	2,94,814	9,43,899

Centre	15,203	14,827	14,446	14,023	13,611	72,110
Private	90,746	1,21,263	1,62,042	2,16,535	2,81,203	8,71,789
Railways	64,713	78,570	96,884	1,21,699	1,57,355	5,19,221
Centre	59,988	70,202	82,078	95,601	1,11,351	4,19,221
Private	4,725	8,368	14,806	26,098	46,003	1,00,000
MRTS	13,555	17,148	22,298	29,836	41,322	1,24,158
Centre	5,889	6,784	7,808	8,953	10,266	39,700
States	4,732	5,451	6,274	7,194	8,249	31,901
Private	2,934	4,912	8,215	13,688	22,806	52,557
Irrigation	77,113	87,386	99,178	1,12,506	1,28,186	5,04,371
Centre	4,679	5,952	7,713	10,161	13,666	42,171
States	72,434	81,434	91,466	1,02,346	1,14,520	4,62,200
Water Supply and Sanitation	36,569	42,605	49,728	58,084	68,333	2,55,319
Centre	13,999	16,423	19,248	22,473	26,240	98,382
States	22,335	25,732	29,617	33,959	38,939	1,50,582
Private	235	451	864	1,651	3,154	6,355
Ports (+ILW)	18,661	25,537	35,260	49,066	69,256	1,97,781
Centre	2,888	3,415	4,034	4,747	5,586	20,670
States	794	930	1,089	1,269	1,480	5,563
Private	14,979	21,192	30,138	43,050	62,189	1,71,548
Airports	7,691	10,716	15,233	21,959	32,116	87,714
Centre	2,456	2,710	2,988	3,282	3,605	15,041
States	268	351	458	596	776	2,449
Private	4,967	7,655	11,787	18,081	27,735	70,224

Source: Planning Commission – Government of India Eleventh Five Year Plan (2007-12)

6. Impact of Make in India in Fdi Inflows in India

Since from the announcement of Make In India Policy, many policies will get revised, as a result of that new industries & companies will be opened to increase GDP & national income, opening of new industries & companies is a result of investments, out of all FDI (Foreign Direct Investment) is a major source of investment, now FDI statics of India specifically for Make in India project would increase continuously month after month, year after year, detail statics with comparisons are mentioned in table-2.

Table-2

Impact of Make in India in Fdi Inflows

2.1. Analysis after initiative of Make in India (October 2014 to September, 2016)

Sl. No.	Period of 24 months	FDI inflow (in US\$ billion)	FDI equity inflow (in US\$ billion)
1.	October, 12 to September, 14 (24 months prior to Make in India)	72.81	48.57
2.	Oct. 14 to September, 16 (24 months after Make in India)	106.98	77.86
	Growth	(+) 47%	(+) 60%

2.2. Analysis of FDI inflow for the period June 2014 to September, 2016:

Sl. No.	Period of 28 months	FDI inflow (in US\$ billion)	FDI equity inflow (in US\$ billion)
1.	February, 12 to May, 14 (28 months prior to new govt.)	83.32	55.87
2.	June 14 to September, 16 (28 months after new govt.)	120.47	87.25
	Growth	(+) 45%	(+) 56%

2.3. Analysis of FDI inflow for the Financial Year 2015- 2016:

Sl. No.	Period	FDI inflow (in US\$ billion)	FDI equity inflow (in US\$ billion)
1.	April to September, 2015	24.49	16.63
2.	April to September, 2016	29.02	21.62
	Growth	(+) 18%	(+) 30%

2.4. Analysis of FDI inflow for the Calendar Year 2016:

Sl. No.	Period	FDI inflow (in US\$ billion)	FDI equity inflow (in US\$ billion)
1.	January to September (2015)	37.93	26.52
2.	January to September (2016)	43.01	32.18
	Growth	(+) 13%	(+) 21%

2.5. Analysis of FDI inflow for the month:

Sl. No.	Period	FDI inflow (in US\$ billion)	FDI equity inflow (in US\$ billion)
1.	September, 2015	3.98	2.90
2.	September, 2016	6.26	5.15
	Growth	(+) 57%	(+) 78%

2.6. Analysis of FDI inflow for the last 2 Financial Year :

Sl. No.	Period	FDI inflow (in US\$ billion)	FDI equity inflow (in US\$ billion)
1.	2012-14	70.35	46.72
2.	2014-16	100.61	70.93
	Growth	(+) 43%	(+) 52%

Source: <http://www.makeinindia.com/>

7. Analysis of the Data

By Analyzing table 1 & Table 2, we observe following points:

1. Increasing projection in Electricity from 2,28,405 Cr. In year 2012-13 to 3,86,244 Cr. In year 2016-17 and from the date of announcement of Make in India Project i.e. from 2014-15 to 2016-17 there will be an increment in Electricity investment by 31.25 %, which is one of the major part of infrastructure.
2. Another important aspect of infrastructure is Roads and Bridges, which again shows a remarkable growth of 22.49 % from year 2014-15 to 2016-17.
3. FDI inflow before Make in India project i.e. from October, 12 to September, 14 is 72.81 billion US \$ whereas after Make in India project i.e. from Oct. 14 to September, 16 it is 106.98 billion US \$.
4. According to data shown in Table-2, the periodic (Yearly) growth in FDI Inflow from year 2012-14 to 2014-16 is 43 %.

8. Conclusion & Suggestions

From the above data analysis it is clearly shown that Infrastructure Investment growth as % of GDPmp is 7.95 in year 2015-16, 8.38 in 2015-16 and 9.0 in 2016-17, as a result of which there is a tremendous increase in FDI inflow by 43 % during the session 2014-2016, as a result we can conclude that Infrastructure growth in India is a major factor of FDI inflow under Make n India Project.

After analyzing the infrastructural growth and FDI inflow because of Make In India project, Infrastructure is a major and most important factor to bridge a gap between demand and supply of basic resources and make this project more successful in coming years, it means that the growth of this project depends on the growth of Infrastructure in India.

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