

PUBLIC PRIVATE PARTNERSHIP (PPP) IN GUJARAT AND RAJASTHAN – AN IMPACT ASSESSMENT

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Abstract

The state of Gujarat came into existence on 1st May 1960 with an area of around 196,024 sq. km. Located on the Western coast of India, Gujarat has been in the forefront of industrial and economic activity in the country. The state has made rapid progress on all fronts be it economic growth, human resource development, or diversifying its industrial base. At the time of its creation, it was largely an agrarian economy with little industrial base. Today Gujarat accounts for nearly 19% of the total industrial investments in India and has emerged as a leading industrial State in the country. It is also one of the most urbanized States in India with 37% of the population living in urban areas. Most urban and rural settlements contain a mix of communities, with varying socio-economic levels. Growing industrialization of the State, increasing needs of the people for better quality of life and the need to cater to the burgeoning trade has put tremendous pressure on the existing infrastructure in the State. This paper examines the satisfaction level of toll road users in the area of Gujarat and Rajasthan. The study also examines impact of such toll road uses on the people.

Key Words : Public Private Partnership, Road

Introduction

Historically, PPP mode of public private partnership began its journey with formation of Great Indian peninsular Railway Company in 1853 wherein British companies had invested in developing railways. Similarly in the early 1900s, private investment went in to formation of Calcutta Electric Supply Corporation and Tata Hydroelectric Power Supply Company for production and distribution of power in Kolkata and Mumbai respectively. In 1991, government announced policy for opening electricity generation to private participation which set up the structure of independent power producers, or IPPs. The National Highways Act, 1956, was amended in 1995 to encourage private participation. In 1994, through a competitive bidding process, licenses were granted to eight cellular mobile telephone service operators in four metro cities and 14 operators in 18 state circles.

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PPP has brought in not just private finance but also private sector management and execution skills into development of infrastructure, which was primarily a government domain. Public private partnership (PPP) as we understand today, is an agreement between government and private sector for purpose of developing the public services and infrastructure.

In absence of upfront investments required for infrastructure development, government is promoting PPP mode to bring in private funds for the purpose. Investments through PPP has gained momentum since tenth and eleventh five year plan period wherein government had started to put in place institutional structure for PPP, viability gap funding and developing standardized documents like MCA.

PPP has taken place in various sectors namely Communication, Energy, Social and commercial infrastructure, transport and water sanitation sectors. Till date 3669 projects costing ₹23.33L crore have been either completed or are under implementation in India. Out of these Gujarat has 237 projects worth ₹1.9L crore with most of the projects in sectors of energy, transportation (mainly roads and ports), water sanitation and Social and commercial infrastructure. Rajasthan has 224 projects costing ₹0.647L crore with most of the projects under categories of energy, transportation (mainly roads and railway), water sanitation and Social and commercial infrastructure sectors. (pppindia.com, database)

Rationale and significance of study

It is essential to have adequate investment in infrastructure development for higher economic growth. Due to low investment in infrastructure development, India suffers from a huge infrastructure deficit. In order to enhance private investment in the infrastructure, PPP has emerged as important mode through which private investment can be channelized into various sectors of Communication, Energy, Social and commercial infrastructure, transport and water sanitation. PPP projects in last 10 years, have had substantial impact on the infrastructure development which in turn has had social as well as economic impact. Further, expectation that the private sector will drive infrastructure investment may not fructify and the public investment may need to step in to recreate an environment to crowd-in private sector investment. Simultaneously, efforts must be made to revitalise the PPP model to attract private investments in infrastructure.

Literature review

As per the data compiled by Mckinsey & Company, the average infrastructure investment in India during the period 1992-2010 constituted 4.7 per cent of the Gross Domestic Product (GDP) as against 7.3 per cent across countries like China, Indonesia and Vietnam. Further, as per the World Economic Forum Global Competitiveness Report 2014, India ranks 85 out of 144 countries in terms of infrastructure quality with 'inadequate supply of infrastructure' listed as the most difficult factor in doing business. According to the report, India's infrastructure rankings vary from 84 in quality of roads to 111 in quality of electricity supply.

As per the latest data, infrastructure investment during the Eleventh Plan is 2.8 times the investment realised in the Tenth Plan (2002-2007). The actual investment in infrastructure as a percentage of GDP in the Eleventh Plan increased to 7 per cent. This notable performance was largely contributed by private investment, resulting in the share of private investment increasing from 22 per cent in the Tenth Plan to 37 per cent in the Eleventh

Plan.

The Twelfth Plan (2012-2017) projected an investment of Rs.55.75 lakh crore (at current prices) in infrastructure development during the Plan period (2012-17), which is more than double the investment in infrastructure achieved in the Eleventh Plan period. Further, the Plan adopted a strategy of encouraging higher private investment in infrastructure, mostly through public private partnerships (PPPs). The share of private investment in infrastructure was projected to rise substantially from 37 per cent in Eleventh Plan to about 48 per cent in the Twelfth Plan.

The Economic Survey 2014-15 has identified the following issues in the existing PPP contracts: (i) existing contracts focus more on fiscal benefits than on efficient service provision; (ii) it neglects principles of allocating risk to the entity best able to manage it; (iii) there are no ex-ante structures for renegotiation; and (iv) contracts are over-dependent on market wisdom. The Economic Survey has also suggested that to revive private interest and bank lending in the infrastructure sector there is need for restructuring of the PPP contracts, with burden sharing among different stakeholders.

Most of the private investment through PPP route has occurred in road and port sector and to some extent in energy sector. However, not much investment has happened in social and commercial infrastructure, water sanitation.

Investment in education comes under social and commercial infrastructure sector. As per Organization of Economic Cooperation and Development (OECD), 2005, the expenditure on education should be 5.6% of national GDP. In India the same is less than 3%. The idea of PPP in education is not just use private funds but also utilise the expertise of private sector in operation and training. Various models of PPP are available for investment in education sector like Operations and maintenance contract, Lease-purchase, Build-operate-transfer, Build-own-operate etc. PPP mode of outsourcing professional services such as teacher training, textbook delivery, curriculum design, quality certification, and supplemental services has been used by the Government of Gujarat's (GoG) to improve the level of learning in its schools across the state. (Role of Public Private Partnership in School Education in India, 2013, Shikha Mahajan et al)

According to the International Monetary Fund (IMF), India needs to strengthen implementation capacity and develop strong and independent regulators to harness private investment through PPP mode (IMF 2007). It is well accepted that PPP has somewhat succeeded in infrastructure development in the hard sectors. Wherever PPP has been implemented in the soft sectors: health, education and water resources, old issues remain and new concerns have emerged. (Amrita Datta, 2009)

Port development is critical infrastructure for the social and economic development of a country. For creating an enabling investment environment, Tariff Authority for Major Ports (TAMP), constituted in April 1997, is an independent Authority which regulates all tariffs. In addition to the development of ports and terminals, the private sector has extensively participated in port logistics services. Government of Gujarat has done many projects like Mundra Port, Dahej LNG terminal, Hazira LNG terminal etc in PPP mode. Government of Gujarat has also put in place legal framework in the form of GID Act and has appointed GIDB as nodal agency to promote PPP in the state.

Aims and objectives

PPP has become a major role player in the construction of infrastructure and shall remain so in the foreseeable future. Investment through PPP mode is primarily happening in Communication sector, Energy sector, Social and commercial infrastructure, transport sector and water sanitation sector. However, most of the investment through PPP mode has been in transport sector. From this perspective, a study to analyse the implementation and impact of PPP in Communication sector, Energy sector, Social and commercial infrastructure, transport sector and water sanitation sector is expected to yield useful insights for investors and policy makers.

Further, the quantum and sector of PPP projects have varied geographically. We therefore select states of Gujarat and Rajasthan to study the implementation and impact of PPP projects. Following are the objectives of the proposed study -

1. To study the satisfaction level of toll road users
3. To study the implementation and impact of PPP projects in states of Gujarat and Rajasthan.

Methodologies and techniques to be used

Primary data has been collected from the users of road and contractors. Data has also been collected from various government sources and other trusted sources. The sources include:

- 1) Central Statistical Organisation (CSO),
- 2) Economic Survey (Government of India),
- 3) Planning Commission (Niti aayog) publications,
- 4) Budget documents of government,
- 5) Relevant departmental (DEA, MOF, NHAI, MHRDC, MORT etc.) publications.
- 6) Relevant publications of different government bodies (other than departments),
- 7) Publications of reputed consultants like CRISIL, EY, PwC, ADB, WB etc.
- 8) Publications of FIs like RBI and other state, national and multinational agencies.
- 9) Others.

Toll road users Satisfaction survey in state of Gujarat and Rajasthan

Table below shows the state representation of users in the state of Gujarat and Rajasthan. 50 percent of the sample has been from Gujarat state and 50 percent of the sample has been taken from Rajasthan state.

Table: State representation of the Sample - Users

Sr. No	Name of the City	Number of Respondents	Percentage
1	Gujarat	25	50
2	Rajasthan	25	50
	Total	100	

Demographic Profile of the Sample

Table shows the demographic profile of the user respondents. Out of 50 respondents, 56 percent of respondents were male and remaining 44 percent of respondents were females. Considering age wise distribution, 22 percent of the respondents are having age less than 25 years, 50 percent of the respondents are having age from 25-40 years, 28 percent of the respondents are having age above 40 years. 8 percent of the respondents are having education of diploma, 36 percent of the respondents are having education of High School, 44 percent

of the respondents are having education of graduation and 10 percent of the respondents are having education of Masters degree or Ph.D. 20 percent of the respondents own two wheelers, 30 percent of the respondents own four wheelers and 50 percent of the respondents own both vehicles. 42 percent of respondents are doing business, 36 percent of the respondents are doing services and 22 percent of the respondents are students.

Sample of the study

Variable	Category	Frequency	Percentage
Gender	Male	28	56.0
	Female	22	44.0
Age (Years)	Less than 25	11	22.0
	25-40	25	50.0
	Above 40	14	28.0
Education	Diploma	4	8.0
	High School	18	36.0
	Graduation	22	44.0
	Master's/ Ph.D.	5	10.0
	Others	1	2.0
Type of Vehicle Driven	Two Wheeler	10	20.0
	Four Wheeler	15	30.0
	Both	25	50.0
Type of Occupation	Business	21	42.0
	Service	18	36.0
	Student	11	22.0

Note: n = 50 respondents

Result Discussions:

- It was found that 48 percent of the respondents were agree and 22 percent of the respondents are strongly agreed that road surfaces are better than regular roads.
- It was found that 44 percent of the respondents were agree and 40 percent of the respondents are strongly agreed that average speed of vehicles higher on toll roads.
- It was found that 36 percent of the respondents were agree and 16 percent of the respondents are strongly agreed thatadequate safety measures are provided for safer higher speed on toll roads.
- It was found that 40 percent of the respondents were agree and 36 percent of the respondents are strongly agreed thatvehicle maintenance would reduce due to smoother ride on toll roads.
- It was found that 26 percent of the respondents were agree and 12 percent of the respondents are strongly agreed thatnumber of accidents is lower on toll roads. 34 percent of the users are neutral about the statement.
- It was found that 34 percent of the respondents were agree and 50 percent of the respondents are strongly agreed thatthey save in travel time by travelling on toll road.
- It was found that 38 percent of the respondents were agree and 34 percent of the respondents are strongly agreed thatyour productivity at work location is higher if you travel on toll roads.

- It was found that 32 percent of the respondents were agree and 16 percent of the respondents are strongly agreed that emergency service for any accident is better on toll roads. 38 percent of the users are neutral about the statement.
- It was found that 32 percent of the respondents were agree and 22 percent of the respondents are strongly agreed that your personal safety is higher on toll roads in comparison on the regular highways.
- It was found that 42 percent of the respondents were agree and 10 percent of the respondents are strongly agreed that road repair works are done with due care for safety of travellers on toll roads.
- It was found that 44 percent of the respondents were agree and 18 percent of the respondents are strongly agreed that road repair works are done systematically and finished faster on toll roads.
- It was found that 48 percent of the respondents were agree and 24 percent of the respondents are strongly agreed that quality of road repair works are better on toll roads.
- It was found that 22 percent of the respondents were disagreed and 10 percent of the respondents are strongly agreed that the number of refreshment centres adequate on toll roads. 34 percent of the users are neutral about the statement.
- It was found that 26 percent of the respondents were disagreed and 14 percent of the respondents are strongly agreed that adequate numbers of vehicle utilities like Petrol pump and vehicle repair on toll roads.

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